OFFICE OF MANAGEMENT AND BUDGET

600 East Boulevard Avenue, Fourth Floor • Bismarck, North Dakota 58505-0400

December 11, 2003

To the Governor, Legislators and Citizens of the State of North Dakota:

In accordance with North Dakota Century Code (NDCC) section 54-44-04(14), we are pleased to submit the Comprehensive Annual Financial Report (CAFR) of the State of North Dakota for the fiscal year ended June 30, 2003. This report has been prepared by the Office of Management and Budget. The financial statements contained in the CAFR have been prepared in accordance with generally accepted accounting principles (GAAP) applicable to state and local governments, as promulgated by the Governmental Accounting Standards Board (GASB). Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the state's management. To the best of our knowledge and belief, the information contained in the CAFR is accurate in all material respects and reported in a manner that presents fairly the financial position and results of operations of the State's primary government and the component units for which it is financially accountable. All disclosures necessary to enable the reader to gain an understanding of the State of North Dakota's financial affairs have been included.

The CAFR is presented in three sections: Introductory, Financial and Statistical. The introductory section contains this transmittal letter, Certificate of Achievement for Excellence in Financial Reporting, the State organization chart and a list of principal officials. The financial section includes: the independent auditor's report on the basic financial statements; Management's Discussion and Analysis (MD&A), which provides an introduction, overview and analysis of the basic financial statements; the basic financial statements, which present the government-wide financial statements and fund financial statements for governmental funds, proprietary funds, fiduciary funds, and component units, together with notes to the basic financial statements; required supplementary information, other than MD&A, which presents budgetary comparison schedules; and the supplemental financial data which includes the combining financial statements. The statistical section includes a history of selected financial and demographic information.

The State's management is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the government are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the costs of a control should not exceed the benefits likely to be derived and (2) the valuation of costs and benefits requires estimates and judgments by management.

In compliance with State statute, the Office of the State Auditor (SAO) audited the State's financial statements. The goal of the independent audit was to provide reasonable assurance that the financial statements of the State for the fiscal year ended June 30, 2003, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and evaluating the overall financial statement presentation. Their examination was conducted in accordance with GAAP and the standards applicable to financial audits contained in *Government Auditing Standards* as published by the Comptroller

General of the United States. The SAO concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the State's financial statements for the fiscal year ended June 30, 2003, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report

The State of North Dakota is also required to undergo a single audit in conformity with the provision of the Single Audit Act Amendments of 1996 and the U.S. Office of Management and Budget's Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* Information related to this single audit, including a schedule of expenditures of federal awards, the independent auditor's reports on internal controls and compliance with applicable laws and regulations, and a schedule of findings and questioned costs, are included in a separately issued biennial single audit report.

GASB Statement No. 34 requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of a Management Discussion and Analysis (MD&A). This letter of transmittal is intended to complement MD&A and should be read in conjunction with it. The MD&A can be found immediately following the Independent Auditor's Report.

PROFILE OF THE GOVERNMENT

The State of North Dakota provides for a full range of services, including education, health and social services, highway maintenance and construction, law enforcement, judicial, public safety, business regulation, community and economic development, and natural resource development. The State's reporting entity reflected in the CAFR includes all the funds of the state as legally defined, as well as all of its component units in conformity with the requirements of GASB Statement No. 14. Statement No. 14 provides that the financial statements should emphasize the primary government and permit financial statement users to distinguish between the primary government and its component units. Consequently, the transmittal letter, MD&A, and the financial statements focus on the primary government and its activities. Although information pertaining to the discretely presented component units is provided, their separately issued financial statements should be read to obtain a complete overview of their financial position. The State's reporting entity is described more fully in Note 1A to the basic financial statements.

The State operates through a biennial appropriation, which represents agency appropriations recommended by the governor and presented to the Legislative Assembly at the beginning of each legislative session. The budget is legally required to be adopted through passage of appropriation bills by the Legislative Assembly and signed by the governor. The governor has line item veto powers over all appropriations subject to legislative override. Once passed and signed, the appropriation bill becomes the departments' financial plan for the next two years. Changes to the appropriation are limited to Emergency Commission authorization, initiative, allotment, or referendum action.

The State does not budget by fund nor does it formally budget revenues. The legal level of budgetary control is at the agency, appropriation authority and expenditure line item level. The State's budgetary policies and procedures are further explained in Note 1D on the notes to the basic financial statements.

ECONOMIC CONDITIONS AND OUTLOOK

North Dakota's economy is rebounding with the national economy and surpassing national trends in several areas.

Taxable sales and purchases in FY2003 grew 6 percent versus 2 percent for the rest of the nation. In October 2003, biennium-to-date taxable sales exceed forecast by over $10 million or 10 percent. This indicates consumer spending has increased more than anticipated.

The overall unemployment rate in the state as of September 2003 was 3.7%, compared to 6.1% nationally. Throughout 2003, the state's unemployment rate has been below 2002 levels for the same month. This indicates a stable job market with a steady growth factor. The number employed grew by over 9,000

positions between September of 2002 and September 2003. As a result, biennium-to-date individual income tax collections and withholding are also increasing. Individual income tax collections to date are 5.4 million, or 9 percent above forecast.

Recently, North Dakota's agriculture industry has shown significant growth. In 2003 farmers produced the highest yields since 1996. Prices are anticipated to elevate in the future as a result of the tariff on Canadian hard red spring wheat. Beef prices have elevated as a result of the ban on imports of Canadian cattle.

North Dakota currently has 19 oil rigs drilling in North Dakota, compared to 13 one year ago. The current price of oil is in the range of $27 per barrel. Actual collections are slightly less than projections due to lower production.

MAJOR INITIATIVES AND FUTURE PROJECTS

Governor Hoeven initiated the Smart Growth program to combine education, economic development, and technology in new ways to create higher paying jobs through a dynamic economy. These initiatives are focused in the several areas:

Excellence in education is an effort to enhance elementary and secondary schools and higher education in the state. Funding for elementary and secondary education has been increased. To ensure communities have the ability to attract quality teachers, school districts are now able to offer teacher-signing bonuses, and the minimum base salary for teachers has been increased. The academic requirements for a high school diploma have been enhanced to ensure that North Dakota youth are competitive in a national environment. Higher education continues to receive lump-sum flexible funding in exchange for accountability. College students are given job experience opportunities through the Business Internship program. Centers of Excellence are being created at universities to promote research and commercialization of North Dakota products and ideas.

Promoting agriculture as an economic strength in the future of North Dakota required creating new projects while enhancing existing programs. Value-added agriculture was enhanced through a cumulative ethanol production subsidy program that will sustain existing plants and encourage the construction of new facilities. A new ethanol production plant in the northwest region of the state will be completed in early 2005, providing up to 400 jobs, a market for corn, and creation of a feed byproduct for cattle. Recognizing the exploitive rates railroads have been charging for grain transportation, funding was provided to initiate a rail-rate complaint case to recover the millions in excess charges. State funding has been matched with federal funding to create a Center of Beef System Science Center. This will be a model for the development of an integrated meat processing industry. Additional funding was provided for a Center for Genetic Research that is expected to develop state biotechnology industries.

Recognizing the continuing need for improved technology, funding for the ConnectND project was provided to streamline resources in higher education, state government, elementary and secondary schools, and other governmental units. This integrated software system includes human resource management, financial systems, student records, asset management, and enterprise resource management. As a result of this project, North Dakota has received the Explorer Award for Innovation in Electronic Government and has been featured in many articles and conferences.

The production and promotion of energy continues to be a growing factor in the state. An Oil and Gas Research Council was established to encourage the efficient use of energy and to develop the state's oil and gas resources. A tax exemption for shallow gas wells is stimulating new production. A property tax exemption on transmission lines is encouraging expansion of energy exportation. Reductions in wind energy taxation prompted several new wind energy projects in the state. A wind farm with 41 towers recently opened and is expected to be a model for future projects. The North Dakota Energy Education and Career Awareness Partnership has been created with the energy industry, State of North Dakota, and the school districts to ensure that career and academic information is available and promoted within the state.

Economic development is the pillar for ensuring the future viability of the state. The North Dakota Business Congress has been established to explore the business climate and create partnerships with North Dakota's American Indian tribes. The North Dakota Economic Development Foundation continues to link the private sector, universities, and government in an effort to create a dynamic and growing economy. The Department of Commerce has been authorized to streamline the creation of water, power, and transportation services for new projects. Funding has been provided to the Seed Capital Fund, New Venture Capital Fund, and the North Dakota Development Fund for enhancing entrepreneurial opportunities and economic health in the rural communities.

FINANCIAL INFORMATION

The MD&A provides an overview of the State's financial activities addressing both governmental and business-type activities reported in the government-wide financial statements. In addition, MD&A focuses on the State's major funds: the General Fund, Federal Fund, School Permanent Trust Fund, Bank of North Dakota, Housing Finance, Workforce Safety & Insurance, and the University System.

Cash Management: North Dakota Century Code section 21-04-02 provides that public funds belonging to or in the custody of the State shall be deposited in the Bank of North Dakota. Cash balances, as required by law, are pooled by the State Treasurer and deposited in the Bank of North Dakota. All interest revenue is allocated to the General Fund unless state law (as outlined in the North Dakota Century Code) requires allocations of interest to other funds. For the fiscal year ended June 30, 2003, pooled deposits in the Bank of North Dakota yielded an average of .89 percent on a cash pool that ranged from $153 to $264 million. Cash is primarily invested in demand deposits and certificates of deposit in the Bank of North Dakota. Cash deposits not held in the State Treasury and controlled by various other state officials are generally held in interest bearing accounts.

Risk Management: The 1995 Legislature established the Risk Management Fund to pay damages for claims for which the state is liable. The statutory liability of the state is limited to a total of $250,000 per person and $1,000,000 per occurrence. The State purchases commercial insurance for claims in excess of coverage provided by the Fund and continues to transfer liabilities for medical malpractice and aviation to private insurance carriers. The 2001 Legislature established a single Workers Compensation account for state entities to be administered by the department that also administers the Risk Management Fund.

The State has several other funds that accumulate assets to cover risks that the state may incur. The State Fire and Tornado Fund insures against loss to public buildings, fixtures and permanent contents. The State Bonding Fund covers bonding of public employees and public officials. Workforce Safety & Insurance is a state insurance fund and a "no-fault" insurance system that covers the state's employers and employees. See Note 14 to the financial statements for additional disclosures on the State's risk management activities.

Pension Trust Plans: The State administers four major retirement systems: North Dakota Public Employees' Retirement System (PERS), North Dakota Highway Patrolmen's Retirement System (NDHPRS), the Teachers' Fund for Retirement (TFFR), and the Retirement Plan for Employees of Job Service North Dakota (JSND). Certain employees may elect to participate in a deferred contribution pension plan.

PERS is the largest of the defined benefit plan for which the State is responsible for providing funding. This plan covers substantially all employees of the State of North Dakota, its agencies and various participating political subdivisions. Total assets of PERS at June 30, 2003, were $1.16 billion. The State also provides postemployment health-care benefits to members receiving retirement benefits from the PERS, NDHPRS, Retirement Plan for Employees of JSND, and certain retired judges. Additional disclosures relating to the State's pension funds are provided in Note 6 to the financial statements.

OTHER INFORMATION

Certificate of Achievement**:** The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the State of North

Dakota for its comprehensive annual financial report for the fiscal year ended June 30, 2002. This was the 12th consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

In addition, the State of North Dakota received the GFOA's Award for Distinguished Budget Presentation for its 2001-2003 budget. In order to qualify for the Distinguished Budget Presentation Award, the State's budget document was judged to be proficient in several categories, including policy documentation, financial planning, and organization.

Acknowledgments**:** This report was prepared by staff members of the Fiscal Management Division of the Office of Management and Budget. Their dedication and efforts are greatly appreciated. We also extend our gratitude to the numerous individuals from virtually all the state agencies and institutions, especially the Office of the State Auditor, for their commitment to assist us in preparing this report.

Sincerely,

Pam Sharp, Director
Office of Management and Budget

Certificate of Achievement for Excellence in Financial Reporting

Presented to

State of North Dakota

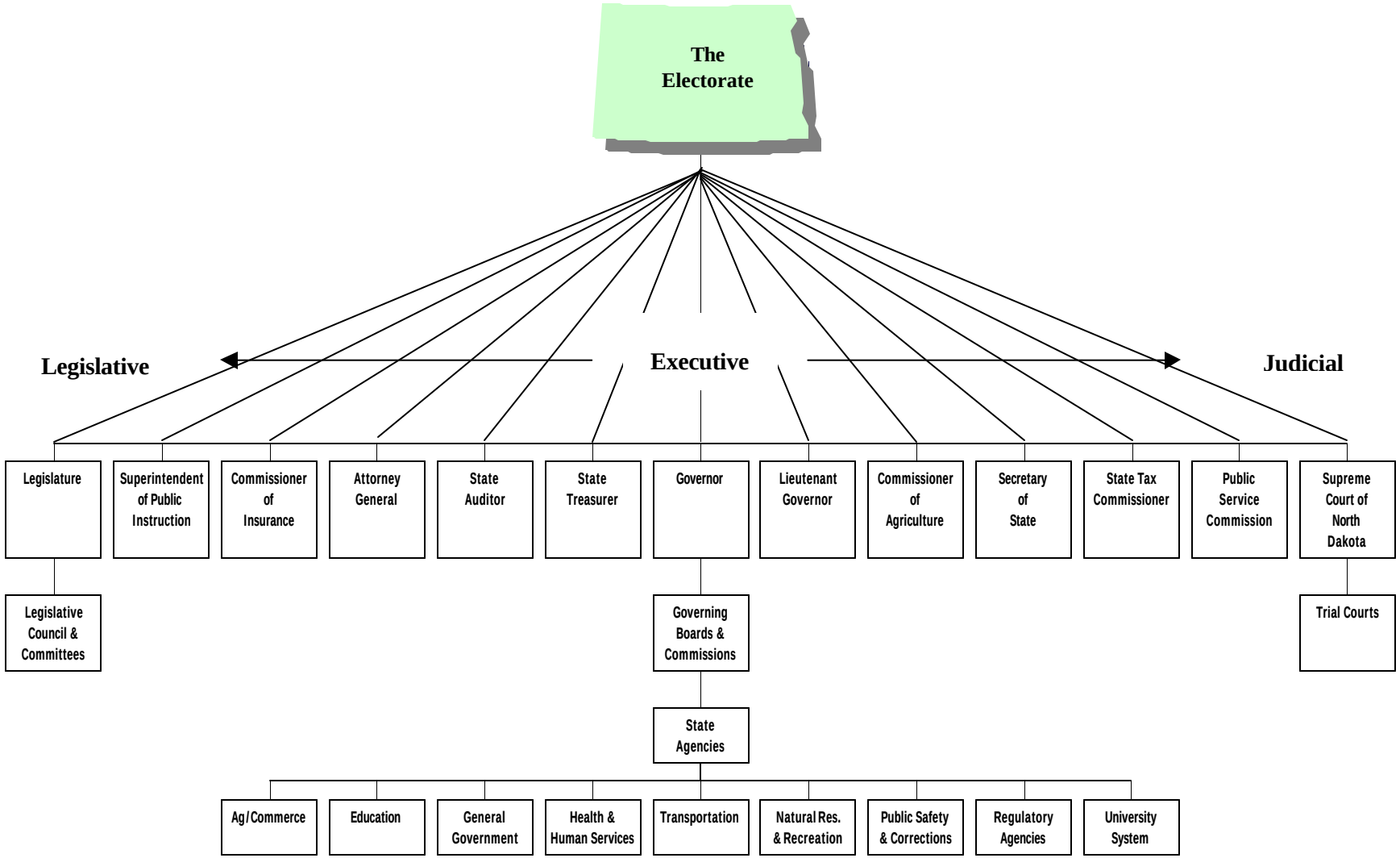
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2002

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

President

Executive Director

STATE OF NORTH DAKOTA ORGANIZATIONAL CHART



NORTH DAKOTA
PRINCIPAL STATE OFFICIALS
June 30, 2003

ELECTED OFFICIALS

John Hoeven, Governor
Jack Dalrymple, Lieutenant Governor
Alvin A. Jaeger, Secretary of State
Wayne Stenehjem, Attorney General
Tony Clark, Public Service Commissioner
Leo Reinbold, Public Service Commissioner
Susan Wefald, Public Service Commissioner
Roger Johnson, Commissioner of Agriculture
Robert R. Peterson, State Auditor
Jim Poolman, Commissioner of Insurance
Dr. Wayne Sanstead, Superintendent of Public Instruction
Rick Clayburgh, Tax Commissioner
Kathi Gilmore, State Treasurer

LEGISLATIVE

Janet Wentz, Speaker of the House
Rick Berg, House Majority Leader
Merle Boucher, House Minority Leader
Lt. Gov. Jack Dalrymple, President of the Senate
Bob Stenehjem, Senate Majority Leader
David P. O'Connell, Senate Minority Leader

JUDICIAL

Gerald VandeWalle, Chief Justice, North Dakota Supreme Court
Carol Ronning Kapsner, Justice
Mary Muehlen Maring, Justice
William A. Neumann, Justice
Dale V. Sandstrom, Justice

STATE AUDITOR
ROBERT R. PETERSON

PHONE
(701) 328-2241
FAX
(701) 328-1406

STATE OF NORTH DAKOTA
OFFICE OF THE STATE AUDITOR
STATE CAPITOL
600 E. BOULEVARD AVE. - DEPT. 117
BISMARCK, ND 58505

INDEPENDENT AUDITOR'S REPORT

The Honorable John Hoeven, Governor
of the State of North Dakota

Members of the Legislative Assembly
of the State of North Dakota

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of North Dakota as of and for the year ended June 30, 2003, which collectively comprise the State's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the State of North Dakota's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the following state entities and discretely presented component units:

- Bank of North Dakota
- Beginning Farmers Revolving Loan Fund
- Board of University and School Lands
- Building Authority
- College SAVE Plan
- Community Water Facility Loan Fund
- Developmentally Disabled Facility Loan Program
- Guaranteed Student Loan Program
- Housing Finance Agency
- Job Service North Dakota
- PACE and AG PACE Funds
- Public Employees Retirement System
- Retirement and Investment Office
- State Fair Association
- Student Loan Trust
- Workforce Safety and Insurance

Discretely Presented Component Units:

- Comprehensive Health Association
- Municipal Bond Bank
- North Dakota Development Fund
- NDSU Research and Technology Park
- UND Aerospace Foundation
- UND Center for Innovation

The financial statements of the above entities reflect total assets and revenues of the government-wide financial statements and fund financial statements as follows:

	Percent of Assets	Percent of Revenues
Government-Wide Financial Statements		
Governmental Activities	27%	8%
Business-Type Activities	81%	44%
Aggregate Discretely Presented Component Units	100%	100%
Fund Financial Statements		
Major Governmental Funds		
Federal Fund	1%	3%
School Permanent Trust Fund	100%	100%
Major Enterprise Funds		
Bank of North Dakota	100%	100%
Housing Finance Agency	100%	100%
Workforce Safety and Insurance	100%	100%
Aggregate Remaining Fund Statements	83%	44%

Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for those entities, is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of North Dakota, as of June 30, 2003, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 16 to the basic financial statements, the Bank of North Dakota elected to present an unclassified balance sheet because current assets are not matched with current liabilities. Presentation of a classified balance sheet would give the false impression that there is a liquidity problem at the bank. Presentation of a classified balance sheet for the Bank of North Dakota would be misleading to the extent that the financial statements may be materially misstated.

In accordance with *Government Auditing Standards*, we have also issued under separate cover, our report dated December 11, 2003 on our consideration of the State of North Dakota's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis and Budgetary Comparison Schedules on pages 19 through 27 and 96 through 100 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of North Dakota's basic financial statements. The combining and individual fund financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. This supplementary information has been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and in, our opinion, based

on our audit and the reports of other auditors, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The data included in the introductory and statistical sections of this report has not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, accordingly, we do not express an opinion thereon.

Robert R. Peterson
State Auditor

Edwin J. Nagel, Jr., CPA
Director

December 11, 2003

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the State of North Dakota's (the State's) Comprehensive Annual Financial Report presents a discussion and analysis of the State's financial performance, providing an overview of the activities for the fiscal year ended June 30, 2003. Please read it in conjunction with the transmittal letter at the front of this report and with the State's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

Government-wide:
The assets of the State exceeded its liabilities at fiscal year end by $3.67 billion (reported as net assets). There was no significant change in the State's net assets from the previous year. Neither the net assets of governmental activities nor business-type activities changed significantly, less than one tenth of a percent each.

Fund Level:
As of the close of fiscal year 2003, the State's governmental funds reported combined ending fund balances of $1.2 billion, an increase of $6 million. Of this amount, $491 million represents unreserved fund balance with the remaining amount of $700 million reserved for specific purposes, such as debt service, capital projects, and permanent trust for education. At the end of the fiscal year, unreserved fund balance for the General Fund was $126 million.

The proprietary funds reported net assets at year-end of $1.5 billion, an increase of $23 million during the year.

Long-term Debt:
The State's total debt (bonds and notes payable) decreased during the fiscal year to $1.46 billion, a decrease of $43 million, 3%, which represents the net difference between new issuances, and payments and refundings of outstanding debt. During the year the State issued $195 million in bonds and $57 million in notes.

More detailed information regarding these activities and funds is included in Note 3I.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is an introduction to the State's basic financial statements, which consists of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-wide Statements

The government-wide financial statements provide a broad view of the State's operations in a manner similar to a private-sector business. The statements provide both short-term and long-term information about the State's financial position, which assists in assessing the State's economic condition at the end of the fiscal year. These statements include all non-fiduciary assets and liabilities using the accrual basis of accounting. The current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The Statement of Net Assets presents all of the State's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases and decreases in net assets are an indicator of whether the State's financial position is improving or deteriorating.

The Statement of Activities presents information showing how the State's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying events giving

rise to the change occur, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported in these statements for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both statements report three activities:

Governmental Activities – The activities in this section are primarily supported by taxes and intergovernmental revenue. Most of the State's basic services, such as education, health and human services and transportation, are reported under this category.

Business-type Activities – These functions are intended to recover all or a significant portion of their costs through user fees and charges to external users of goods and services. The Bank of North Dakota, Workers Compensation, and the University System are examples of the State's business-type activities.

Discretely Presented Component Units – These are operations for which the State has financial accountability but they have certain independent qualities as well. These entities operate similar to private-sector business and the business-type activities described above. The State has 6 discretely presented component units. Financial information for these entities is presented separately from the financial information presented for the primary government.

The government-wide financial statements can be found immediately following this discussion and analysis.

Fund Financial Statements

A fund is a fiscal and accounting entity with a self-balancing set of accounts that the State uses to keep track of specific sources of funding and spending for a particular purpose. The State, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

The basic fund financial statements begin immediately after the government-wide statements and provide more detail about the major individual funds. The State's funds are divided into three categories – governmental, proprietary, and fiduciary. It is important to note that these fund categories use different accounting approaches and should be interpreted differently.

Governmental funds -- Most of the State's basic services are reported in the governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental fund financial statements focus on the near-term inflows and outflows of spendable resources. They also focus on the balances left at year-end that are available for future spending. Such information may be useful in evaluating whether there are more or fewer financial resources that can be spent in the near future to finance the State's programs. These funds are reported using *modified accrual* accounting, which measures cash and all other financial assets that can readily be converted to cash.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and the governmental activities. These reconciliations are presented on the page immediately following each governmental fund financial statement.

Governmental funds include the General Fund and special revenue, capital project, debt service, and permanent funds. The State has several governmental funds, of which three (3) are considered major individual funds. Those three are the General Fund, the Federal Fund, and the School Permanent Trust

Fund. Each of these major funds is presented in a separate column in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balance. The remaining governmental funds are combined in a single aggregated column on the basic fund statements. Individual fund data for each of these nonmajor governmental funds can be found in the other supplementary information section of this report.

Proprietary funds – Services for which the State charges customers a fee are generally reported in proprietary funds. The state maintains two different types of proprietary funds, enterprise funds and internal service funds. Enterprise funds report activities that provide supplies and services to the general public. Internal service funds report activities that provide supplies and services for the State's other programs and activities. Like the government-wide statements, proprietary funds use the accrual basis of accounting. Although the basis of accounting is the same for the government-wide and proprietary fund statements, a reconciliation between these statements is presented because of the allocation of internal service funds' net income.

The State has four (4) major enterprise funds: The Bank of North Dakota, Housing Finance, University System, and Workforce Safety and Insurance. These four funds are each presented in separate columns on the basic proprietary fund financial statements. The remaining enterprise funds are combined in a single total column on these statements. Individual fund data for each of the nonmajor enterprise funds can be found in the other supplementary information section of this report.

The State's internal service funds are reported as governmental activities on the government-wide statements, because the services they provide predominantly benefit governmental activities. The State's five (5) internal service funds are reported on the basic proprietary fund financial statements in a single combined column. Individual fund data for the internal service funds is provided in the form of combining statements found elsewhere in this report.

Fiduciary funds -- The State acts as a trustee, or fiduciary, for its employee pension plans. It is also responsible for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. The State's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets. These funds, which include pension (and other employee benefit) trust, investment trust, private-purpose trust, and agency funds, are reported using accrual accounting. The government-wide statements exclude fiduciary fund activities and balances because the State cannot use these assets to finance its operations.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and the fund financial statements. The notes to the financial statements can be found immediately following component units' financial statements.

Required Supplementary Information

The basic financial statements are followed by a section of required supplementary information. This section includes a budgetary comparison schedule, which includes reconciliation between the statutory fund balances for budgetary purposes and the fund balances for the General Fund and Federal Fund as presented in the governmental fund financial statements.

Other Supplementary Information

Other supplementary information includes combining financial statements for non-major governmental, non-major enterprise, internal service, and fiduciary funds. These funds are added together, by fund type, and presented in single columns in the basic financial statements.

FINANCIAL ANALYSIS OF THE GOVERNMENT AS A WHOLE

As noted previously, net assets may serve over time as a useful indicator of a government's financial position. The State's combined net assets (governmental and business-type activities) totaled $3.67 billion at the end of fiscal year 2003. Net assets remained relatively unchanged from the prior fiscal year.

State of North Dakota's Net Assets
(Expressed in Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2002	2003	2002	2003	2002	2003
Current and Other Assets	$ 1,489,122	$ 1,533,469	$ 4,242,955	$ 4,210,468	$ 5,732,077	$ 5,438,584
Capital Assets	1,183,561	1,164,688	560,210	591,427	1,743,771	1,756,115
Total Assets	2,672,683	2,698,157	4,803,165	4,801,895	7,475,848	7,194,699
Long-Term Liabilities Outstanding	175,214	189,567	1,948,875	1,956,472	2,124,089	2,146,039
Other Liabilities	278,662	312,043	1,395,413	1,375,249	1,674,075	1,687,292
Total Liabilities	453,876	501,610	3,344,288	3,331,721	3,798,164	3,833,331
Net Assets						
Invested in Capital Assets, Net of Related Debt	1,066,085	1,049,298	459,592	462,653	1,525,677	1,511,950
Restricted	833,944	856,159	310,457	336,631	1,144,401	1,192,790
Unrestricted	318,778	291,090	688,828	670,890	1,007,606	961,980
Total Net Assets	$ 2,218,807	2,196,547	$ 1,458,877	$ 1,470,174	$ 3,677,684	$ 3,666,721

The largest component (41.1%) of the State's net assets reflects its investment in capital assets such as land, buildings, equipment, and infrastructure (roads, bridges and other immovable assets) less any related debt outstanding that was needed to acquire or construct the assets. The State uses these capital assets to provide services to citizens; consequentially, these assets are not available for future spending. Although the State's investment in its capital assets is reported net of related debt, it should be noted that the resources need to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Restricted net assets represent 32.5% of the State's net assets. These represent resources that are subject to external restrictions, constitutional provisions, or enabling legislation on how they can be used. The remaining portion, unrestricted net assets, may be used at the State's discretion, but often have limitations on use based on State statutes.

The condensed financial information on the following page was derived from the government-wide Statement of Activities and reflects how the State's net assets changed during the fiscal year:

State of North Dakota's Changes in Net Assets
(Expressed in Thousands)

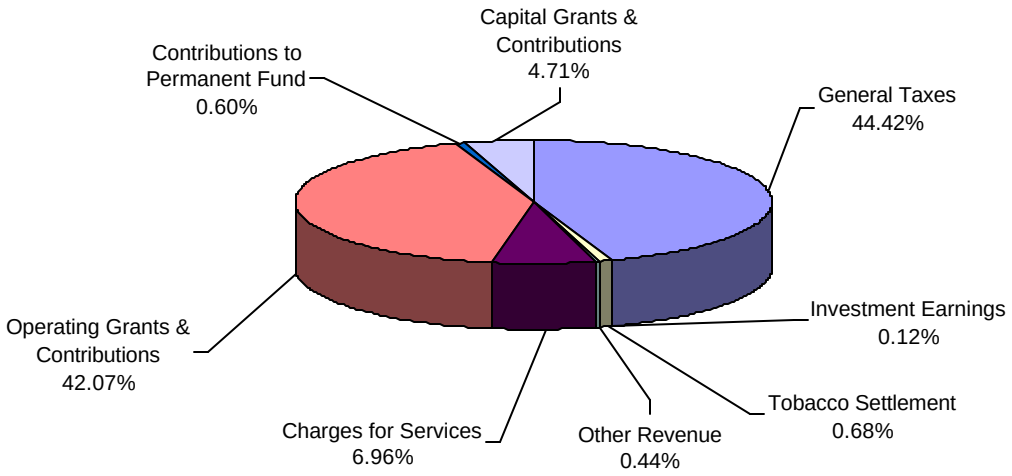
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2002	2003	2002	2003	2002	2003
Revenues:						
Program Revenues:						
Charges for Services	$ 152,109	$ 151,891	$ 649,496	$ 654,832	$ 801,605	$ 806,723
Operating Grants & Contributions	838,815	917,576	180,078	285,158	1,018,893	1,202,734
Capital Grants & Contributions	103,013	102,682	6,484	7,929	109,497	110,611
General Revenues:						
Income Taxes	233,288	248,068	-	-	233,288	248,068
Sales Taxes	567,901	550,221	-	-	567,901	550,221
Other Taxes	150,261	170,440	-	-	150,261	170,440
Investment Earnings	5,214	2,540	-	-	5,214	2,540
Tobacco Settlement	14,729	14,771	-	-	14,729	14,771
Other	6,858	9,647	-	-	6,858	9,647
Total Revenues	2,072,188	2,167,836	836,058	947,919	2,908,246	3,115,755
Expenses						
General Government	74,720	82,809	-	-	74,720	82,809
Education	418,599	451,683	-	-	418,599	451,683
Health and Human Services	730,285	776,275	-	-	730,285	776,275
Regulatory	15,106	15,490	-	-	15,106	15,490
Public Safety and Corrections	129,220	99,876	-	-	129,220	99,876
Agriculture and Commerce	51,345	53,051	-	-	51,345	53,051
Natural Resources	44,326	58,941	-	-	44,326	58,941
Transportation	320,773	352,535	-	-	320,773	352,535
Intergov'tal - Revenue Sharing	142,778	148,181	-	-	142,778	148,181
Interest on Long Term Debt	8,335	7,602	-	-	8,335	7,602
Bank of North Dakota	-	-	90,103	67,920	90,103	67,920
Housing Finance	-	-	59,503	55,745	59,503	55,745
Loan Programs	-	-	13,769	12,709	13,769	12,709
Mill and Elevator	-	-	79,009	90,835	79,009	90,835
State Fair	-	-	4,079	4,158	4,079	4,158
Unemployment Compensation	-	-	50,485	56,753	50,485	56,753
University System	-	-	587,779	614,872	587,779	614,872
Workers Compensation	-	-	78,051	171,406	78,051	171,406
Other	-	-	11,589	6,801	11,589	6,801
Total Expenses	1,935,487	2,046,443	974,367	1,081,199	2,909,854	3,127,642
Increase (decrease) in Net Assets Before Contributions and Transfers	136,701	121,393	(138,309)	(133,280)	(1,608)	(11,887)
Contributions to Permanent Fund Principal	13,665	13,127	-	-	13,665	13,127
Transfers	(170,233)	(159,389)	188,310	155,306	18,077	(4,083)
Increase (Decrease) in Net Assets	(19,867)	(24,869)	50,001	22,026	30,134	(2,843)
Net Assets - Beginning -As Restated	2,238,674	2,221,416	1,408,876	1,448,148	3,647,550	3,669,564
Net Assets - Ending	$ 2,218,807	$ 2,196,547	$ 1,458,877	$ 1,470,174	$ 3,677,684	$ 3,666,721

Governmental Activities:

Governmental Activities decreased the State's net assets by $24.9 million, compared to a $19.9 million decrease in the prior fiscal year. Expenditures for the State increased during the fiscal year, but some of the increases were offset by increases in revenues. The largest increase in expenditures was an 8% increase in education spending and a 6% increase in Human Services spending. The education increase was for legislatively authorized salary increases for teachers and for additional grants to school districts under the Federal No Child Left Behind Act. Human Services expenditures increased due to a rise in the number of eligible recipients for Medicaid and Food Stamps. These increases totaled approximately $78 million. The largest increases in revenue were grants from the Federal Government, 5%, for federal programs that had expenditure increases noted previously; from Oil and Gas Production and Extraction Taxes, 18%, due to the worldwide increase in oil prices; and from individual income tax, 5%, due to a modest growth in personal income in the state as well as a reduction in capital losses.

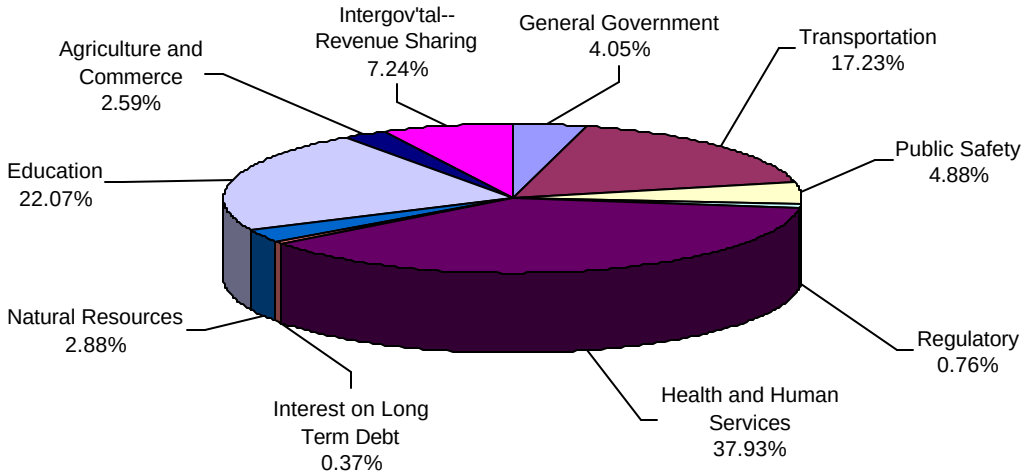
The following chart depicts revenues of the governmental activities for the fiscal year:

Revenues - Governmental Activities
Fiscal Year Ending June 30, 2003



The following chart depicts expenses of the governmental activities for the fiscal year:

Expenditures - Governmental Activities
Fiscal Year Ending June 30, 2003



Business-type Activities

Net assets of the business-type activities increased by $22 million during the fiscal year. Factors contributing to these results included:

The Bank of North Dakota's net assets decreased $21 million because of a $39 million increase in transfers to the State's General Fund. The Bank's results of operations did not change significantly, decreasing only .4% from $33.2 million to $33.1 million.

Workforce Safety and Insurance's (WSI) net assets increased $4 million primarily due to underwriting and investing activities. Underwriting consists of pricing premiums to cover the workers compensation loss exposure. Annual premium rates are set to achieve break-even results for the current fiscal year; however, an independent actuarial analysis indicated unfavorable development on prior years' loss reserves. In 2002, the actuary showed favorable development on prior years' loss reserves. Changes in the loss estimates are recognized in the current year of operations. Underwriting activities' income reveals a $77.7 million loss during fiscal year 2003. WSI's investment income increased in 2003 to $80.4 million as compared to and investment loss of $15.1 million in 2002.

The net assets of Housing Finance increased approximately $8 million due to income from program operations and investment income. Income from operations, $4 million, increased primarily because of fewer program dollars being invested and financed. Investment income, $4 million, increased because of improved market conditions.

The North Dakota State University System net assets increased $23 million during 2003 as a result of the year's activity. Net income from operating and non-operating activities contributed $11.2 million to net assets and capital gifts, grants and transfers contributed an additional $11.7 million.

FINANCIAL ANALYSIS OF THE STATE'S FUNDS

Governmental Funds

As the State completed the year, its governmental funds reported combined fund balances of $1.2 billion, an increase of $6 million from the prior fiscal year. Approximately $491 million of this total amount constitutes unreserved fund balance, which is available for appropriation for the general purposes of the funds. The remainder of fund balance is reserved and is not available for new spending because it has already been dedicated to various commitments such as long-term receivables, debt service, and capital projects.

The General Fund is the chief operating fund of the State. At the end of current fiscal year, unreserved fund balance of the General Fund was $125.7 million and reserved fund balance was $1.2 million. Total fund balance rose during the fiscal year by $11.5 million, primarily due the $25 million grant from the Federal Government from the Jobs and Growth Tax Relief Reconciliation Act of 2003. By the end of fiscal year 2003, General Fund revenues increased 4 percent from the prior year.

The School Permanent Trust Fund balance at June 30, 2003, improved by $19 million from the prior year due to the improvement in the conditions of the securities market. During 2003, the fund reported investment income of $24.7 million as compared to a $5.8 million investment loss in 2002.

The Federal Fund balance at June 30, 2003 remained relatively unchanged at $25 million.

Proprietary Funds

The State's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The increases in the net assets of the proprietary funds are discussed under "Business-type Activities" above.

General Fund Budgetary Highlights:

The State has a biennial appropriated budget. The fiscal year ended June 30, 2003, was the second year and final year of the 2001-03 budget cycle. The original budget decreased $6.5 million.

At the beginning of the 2001-03 budget cycle, there was an increase in the original budget of nearly $8 million due to the authorized carryover of general fund appropriation authority from the 1999-2001 biennium, which is reported as an appropriation adjustment for the 2001-03 budget. Some of those carryover amounts are noted below:

Several agencies received general fund carryover dollars from the 1999-2001 biennium for capital construction projects. These carryover dollars totaled $2.3 million. The Division of Emergency Management was authorized to carryover general fund appropriation authority of $2.7 million from the 1999-2001 biennium to provide state matching funds for public assistance and disaster hazard mitigation.

Several other state agencies were authorized by appropriation laws to carryover a portion or all of their general fund appropriation for various purposes, including the Office of Management and Budget, $1.2 million, Legislative Council and Assembly, $1.2 million, and the State Courts, $.35 million.

In fiscal year 2003, Governor Hoeven implemented a 1.05 percent general fund reduction allotment because of a projected shortfall in general fund revenues for the 2001-03 biennium. This reduction totaled $18 million. Also during fiscal year 2003, there were additional insignificant appropriation increases for various purposes.

There were no expenditures in excess of general fund spending authority.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets: At the end of the fiscal year 2003, the State had invested $1.8 billion, net of accumulated depreciation, in a broad range of capital assets. Depreciation charges for this fiscal year totaled $182 million.

State of North Dakota's Capital Assets
(Net of Depreciation, Expressed in Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2002	2003	2002	2003	2002	2003
Land and Land Improvements	$ 39,974	$ 39,972	$ 15,850	$ 16,989	$ 55,824	$ 56,961
Building & Building Improvements	194,445	197,223	329,504	333,548	523,949	530,771
Equipment	85,385	91,438	120,627	114,413	206,012	205,851
Infrastructure	752,549	658,205	75,994	90,854	828,543	749,059
Construction in Progress	111,208	177,850	18,235	35,623	129,443	213,473
Total	$ 1,183,561	$ 1,164,688	$ 560,210	$ 591,428	$ 1,743,771	$ 1,756,115

The total increase in the State's investments in capital assets for the current fiscal year was less than .1% in terms of net book value. However, actual expenditures to purchase or construct capital assets were approximately $220 million for the year. Most of this amount was used to construct or reconstruct assets at the University Systems and for highway construction. More detailed information on the State's capital assets can be found in Note F to the financial statements.

Long-term Debt: Article X, Section 13 of the Constitution of North Dakota provides that the state may issue or guarantee the payment of bonds provided that all bonds in excess of $2 million are: secured by first mortgage upon property and no further indebtedness may be incurred by the state unless evidenced by a bond issue; authorized by law, for a certain purpose; provisioned to pay the interest semiannually,

and pay the principal within 30 years. The law authorized the bond issue must specifically appropriate the provisions to the payment of the principal and interest of the bond. The state has no general obligation bonds outstanding at June 30, 2003.

The State does have a number of revenue bonds outstanding at June 30, 2003. Current state statutes empower certain state agencies and the Building Authority, a component unit of the State, to issue bonds as part of their activities. This debt is not backed by the full faith and credit of the State of North Dakota. The principal and interest on revenue bonds issued by state agencies is payable from designated revenue sources. The Building Authority's bonds generate revenue to finance the construction and improvements of State buildings. Revenues derived from leases on the buildings fund the debt service requirements.

The Bank of North Dakota has advances from the Federal Home Loan Bank in the amounts of $420 million. The advances have a fixed rate of interest, ranging from 4.15 percent to 7.35 percent.

More detailed information regarding the State's long-term obligations is presented in Note 31 to the financial statements.

State of North Dakota's Outstanding Debt
(Expressed in Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2002	2003	2002	2003	2002	2003
Revenue Bonds	$ 140,161	$ 146,795	$ 965,243	$ 886,185	$ 1,105,404	$ 1,032,980
Notes Payable	507	5,671	403,860	427,683	404,367	433,354
Total	$ 140,668	$ 152,466	$ 1,369,103	$ 1,313,868	$ 1,509,771	$ 1,466,334

The State's total debt decreased by only 3% during the current fiscal year.

ECONOMIC CONDITION AND OUTLOOK

The revenue forecast for the 2003-05 biennium was approved by the Legislature in May 2003. In June 2003, Congress approved the Jobs and Growth Tax Relief Reconciliation Act of 2003. This Act allocated to North Dakota payments totaling $50 million in 2003. Constitutional provisions required the deposit of these payments into the state general fund. The federal share of Medicaid reimbursement was also increased by Congress. It is anticipated this will provide $19.6 million of fiscal relief to North Dakota in the form of increased Medicaid reimbursement.

Revenue collections for the biennium to date have exceeded forecast by $19.3 million as of October 31, 2003. This is mainly due to strong sales tax collections. Individual income tax collections and withholdings are also exceeding forecast. These are good indicators that North Dakota's economy is growing.

The outlook for the 2005-07 biennium is positive. A healthy ending general fund balance coupled with anticipated growth in high-tech industries and a healthy farm sector should provide the funding necessary to maintain North Dakota services for its citizens.

CONTACTING THE STATE'S OFFICE OF FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the State's finances and to demonstrate the State's accountability for the money it receives. Questions about this report or additional financial information should be addressed to the State of North Dakota, Office of Management and Budget, 600 E. Boulevard, Dept. 110, Bismarck, ND 58505.

STATE OF NORTH DAKOTA

Statement of Net Assets
June 30, 2003

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
ASSETS				
Cash and Cash Equivalents	$ 6,974,642	$ 637,580,311	$ 644,554,953	$ 20,371,815
Investments	641,128,362	1,367,354,777	2,008,483,139	283,348,930
Accounts Receivable - Net	25,075,145	64,547,339	89,622,484	350,826
Taxes Receivable - Net	151,376,609	-	151,376,609	-
Interest Receivable - Net	6,048,128	32,682,018	38,730,146	3,067,948
Intergovernmental Receivable - Net	160,010,755	40,966,002	200,976,757	-
Internal Receivable	426,055,851	-	120,702,159	-
Due from Fiduciary Funds	-	32,352	32,352	-
Due from Component Units	155,724	121,126	276,850	-
Due from Primary Government	-	-	-	41,566
Prepaid Items	3,001,575	1,380,123	4,381,698	-
Inventory	11,673,763	17,204,772	28,878,535	85,081
Loans and Notes Receivable - Net	98,265,255	2,030,791,493	2,129,056,748	7,360,043
Unamortized Bond Financing Costs	1,131,000	10,633,123	11,764,123	1,229,000
Pension Assets	2,571,639	-	2,571,639	-
Other Assets	-	7,174,909	7,174,909	41,209
Capital Assets:				
Land and Construction in Progress	217,822,420	52,611,872	270,434,292	988,112
Infrastructure - Net	658,204,912	90,853,983	749,058,895	528,320
Buildings and Equipment - Net	288,661,114	447,961,237	736,622,351	6,568,685
Total Assets	2,698,156,894	4,801,895,437	7,194,698,639	323,981,535

The Accompanying Notes are an Integral Part of the Financial Statements

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
LIABILITIES				
Accounts Payable	133,795,457	24,236,290	158,031,747	901,568
Accrued Payroll	28,754,398	8,877,403	37,631,801	-
Securities Lending Collateral	55,535,201	132,826,771	188,361,972	-
Interest Payable	2,141,086	19,409,223	21,550,309	1,640,000
Intergovernmental Payable	29,268,246	2,297,364	31,565,610	-
Tax Refunds Payable	38,562,328	-	38,562,328	-
Internal Payable	-	305,353,692	-	-
Due to Component Units	-	41,566	41,566	-
Due to Primary Government	-	-	-	121,126
Contracts Payable	5,833,027	1,271,530	7,104,557	-
Federal Funds Purchased	-	282,388,000	282,388,000	-
Reverse Repurchase Agreements	-	14,300,000	14,300,000	-
Claimant Liability	3,990,362	-	3,990,362	1,125,000
Deposits Held for Other Funds	-	-	-	-
Other Deposits	-	508,632,149	508,632,149	-
Amounts Held in Custody for Others	-	6,481,689	6,481,689	-
Deferred Revenue	14,162,731	57,179,050	71,341,781	368,584
Other Liabilities	-	11,954,358	11,954,358	-
Long-Term Liabilities				
Due within one year	17,391,915	167,710,685	185,102,600	9,146,251
Due in more than one year	172,175,434	1,788,761,152	1,960,936,586	142,982,644
Total Liabilities	501,610,185	3,331,720,922	3,527,977,415	156,285,173
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	1,049,297,664	462,653,314	1,511,950,978	3,281,222
Restricted for:				
General Government	6,856,827	-	6,856,827	-
Education	8,629,287	-	8,629,287	-
Health and Human Services	43,817,022	-	43,817,022	-
Regulatory Purposes	10,275,606	-	10,275,606	-
Agriculture and Commerce	7,118,402	-	7,118,402	-
Cultural and Natural Resources	68,075,824	-	68,075,824	-
Transporation	91,382,534	-	91,382,534	-
Capital Projects	16,103,188	21,276,131	37,379,319	-
Debt Service	16,544,973	76,115,070	92,660,043	67,446,000
Loan Purposes	-	46,323,191	46,323,191	69,765,000
Pledged Assets	-	117,695,000	117,695,000	-
Unemployment Compensation	-	54,421,960	54,421,960	-
Permanent and Endowment Funds - Expendable	13,788,104	9,580,515	23,368,619	-
Permanent and Endowment Funds - Nonexpendable	573,567,752	11,214,712	584,782,464	-
Other	-	4,154	4,154	2,951,826
Unrestricted	291,089,526	670,890,468	961,979,994	24,252,314
Total Net Assets	$ 2,196,546,709	$ 1,470,174,515	$ 3,666,721,224	$ 167,696,362

The Accompanying Notes are an Integral Part of the Financial Statements

STATE OF NORTH DAKOTA

Statement of Activities
For the Fiscal Year Ended June 30, 2003

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	$ 82,809,070	$ 19,420,980	$ 27,123,998	$ -
Education	451,681,765	2,727,406	104,825,060	37,851,468
Health and Human Services	776,275,467	11,491,268	573,164,029	10,550
Regulatory	15,489,783	14,567,967	3,575,702	-
Public Safety and Corrections	99,876,170	2,834,399	35,686,014	90,000
Agriculture and Commerce	53,050,858	20,349,207	17,166,682	9,500
Natural Resources	58,940,584	19,966,065	8,020,909	9,516,067
Transportation	352,535,072	60,534,100	148,013,899	55,204,575
Intergovernmental - Revenue Sharing	148,181,078	-	-	-
Interest on Long Term Debt	7,602,467	-	-	-
Total Governmental Activities	2,046,442,314	151,891,392	917,576,293	102,682,160
Business-Type Activities:				
Bank of North Dakota	67,919,991	100,995,000	-	-
Housing Finance	55,744,846	46,837,000	16,860,000	-
Loan Programs	12,708,660	14,054,083	2,311,395	-
Mill and Elevator	90,834,520	92,785,165	9,644	-
State Fair	4,158,433	3,119,273	328,788	-
Unemployment Compensation	56,753,361	60,058,581	2,351,752	-
University System	614,871,996	237,138,708	176,820,497	7,929,417
Workforce Safety and Insurance	171,406,004	90,747,299	84,711,936	-
Other	6,801,025	9,096,427	1,764,210	-
Total Business-Type Activities	1,081,198,836	654,831,536	285,158,222	7,929,417
Total Primary Government	$ 3,127,641,150	$ 806,722,928	$ 1,202,734,515	$ 110,611,577
Component Units:	$ 24,682,183	$ 15,320,710	$ 35,398,646	$ -

General Revenues:
- Taxes:
  - Individual and Corporate Income Taxes
  - Sales and Use Taxes
  - Oil, Gas and Coal Taxes
  - Business and Other Taxes
- Unrestricted Investment Earnings
- Tobacco Settlement
- Miscellaneous
- Payment from State of North Dakota

Contributions to Permanent Fund Principal
Transfers
- Total General Revenues and Transfers
  - Change in Net Assets

Net Assets, Beginning of Year, as Restated
Net Assets, Ending

The Accompanying Notes are an Integral Part of the Financial Statements

Net (Expense) Revenue and Change in Net Assets			
Primary Government			
Governmental Activities	Business-Type Activities	Total	Component Units
$ (36,264,092)		$ (36,264,092)	
(306,277,831)		(306,277,831)	
(191,609,620)		(191,609,620)	
2,653,886		2,653,886	
(61,265,757)		(61,265,757)	
(15,525,469)		(15,525,469)	
(21,437,543)		(21,437,543)	
(88,782,498)		(88,782,498)	
(148,181,078)		(148,181,078)	
(7,602,467)		(7,602,467)	
(874,292,469)		(874,292,469)	
	$ 33,075,009	33,075,009	
	7,952,154	7,952,154	
	3,656,818	3,656,818	
	1,960,289	1,960,289	
	(710,372)	(710,372)	
	5,656,972	5,656,972	
	(192,983,374)	(192,983,374)	
	4,053,231	4,053,231	
	4,059,612	4,059,612	
-	(133,279,661)	(133,279,661)	
(874,292,469)	(133,279,661)	(1,007,572,130)	
			$ 26,037,173
248,068,344	-	248,068,344	-
550,220,785	-	550,220,785	-
107,448,761	-	107,448,761	-
62,991,361	-	62,991,361	-
2,539,604	-	2,539,604	-
14,770,608	-	14,770,608	-
9,646,690	-	9,646,690	-
-	-	-	1,175,000
13,126,756	-	13,126,756	-
(159,389,462)	155,306,013	(4,083,449)	-
849,423,447	155,306,013	1,004,729,460	1,175,000
(24,869,022)	22,026,352	(2,842,670)	27,212,173
2,221,415,731	1,448,148,163	3,669,563,894	140,484,189
$ 2,196,546,709	$ 1,470,174,515	$ 3,666,721,224	$ 167,696,362

The Accompanying Notes are an Integral Part of the Financial Statements

STATE OF NORTH DAKOTA

Balance Sheet
Governmental Funds
June 30, 2003

	General	Federal	School Permanent Trust Fund	Other Governmental Funds	Total
ASSETS					
Cash Deposits at the Bank of ND	$ 60,612,897	$ 45,625,396	$ 2,411,349	$ 264,611,548	$ 373,261,190
Cash and Cash Equivalents	633,371	69,062	-	6,272,109	6,974,542
Investments at the Bank of ND	-	-	-	51,570,417	51,570,417
Investments	-	-	600,927,651	37,948,577	638,876,228
Accounts Receivable - Net	6,851,577	5,613,023	-	12,509,164	24,973,764
Taxes Receivable - Net	107,696,026	-	225,830	43,454,753	151,376,609
Interest Receivable - Net	8,349	20	4,820,131	1,170,784	5,999,284
Intergovernmental Receivable - Net	25,000,000	131,159,519	-	3,698,482	159,858,001
Due from Other Funds	38,039,116	10,397,744	5,786,369	39,506,922	93,730,151
Due from Component Units	155,724	-	-	-	155,724
Prepaid Items	337,608	793,194	-	1,859,475	2,990,277
Inventory	790,979	3,264,991	-	4,654,978	8,710,948
Loans and Notes Receivable - Net	105,494	-	31,440,334	66,719,427	98,265,255
Total Assets	$ 240,231,141	$ 196,922,949	$ 645,611,664	$ 533,976,636	$ 1,616,742,390
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable	$ 29,985,724	$ 80,114,653	$ 206,659	$ 22,631,217	$ 132,938,253
Accrued Payroll	17,078,432	4,101,313	-	6,431,974	27,611,719
Securities Lending Collateral	-	-	53,995,727	1,271,471	55,267,198
Interest Payable	36,060	-	-	20,000	56,060
Intergovernmental Payable	515,851	8,724,499	-	20,027,896	29,268,246
Tax Refunds Payable	38,161,232	-	-	401,096	38,562,328
Due to Other Funds	23,400,040	58,514,715	72,422	19,900,247	101,887,424
Contracts Payable	8,277	4,522,099	-	1,302,651	5,833,027
Claims/Judgments Payable	-	-	3,981,000	625,082	4,606,082
Compensated Absences Payable	589,128	234,344	-	303,183	1,126,655
Deferred Revenue	3,540,193	14,964,533	-	9,799,883	28,304,609
Total Liabilities	113,314,937	171,176,156	58,255,808	82,714,700	425,461,601
Fund Balances:					
Reserved for:					
Inventory	790,979	214,527	-	4,654,978	5,660,484
Long - Term Receivables	74,045	-	-	61,920,101	61,994,146
Capital Projects	-	-	-	16,103,188	16,103,188
Debt Service	-	-	-	17,370,196	17,370,196
Prepaid Expenditures	337,608	793,194	-	1,859,475	2,990,277
Legal Requirements	-	-	-	8,957,710	8,957,710
Undistributed Revenue	-	-	4,957,747	-	4,957,747
Permanent Trust Fund	-	-	582,398,109	-	582,398,109
Unreserved:					
Designated for:					
Fund Activities	-	-	-	2,620,469	2,620,469
Patients Welfare	-	-	-	503,160	503,160
Unreserved, Reported in :					
General Fund	125,713,572	-	-	-	125,713,572
Special Revenue Funds	-	24,739,072	-	337,272,659	362,011,731
Total Fund Balances	126,916,204	25,746,793	587,355,856	451,261,936	1,191,280,789
Total Liabilities and Fund Balances	$ 240,231,141	$ 196,922,949	$ 645,611,664	$ 533,976,636	$ 1,616,742,390

The Accompanying Notes are an Integral Part of the Financial Statements

STATE OF NORTH DAKOTA

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets

June 30, 2003

Total Fund Balances-Governmental Funds		$ 1,191,280,789
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of assets is $3,479,184,767 and the accumulated depreciation is $2,368,912,476.		1,110,272,291
Some of the state's revenues will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.		16,987,627
Internal service funds are used to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets..		53,817,758
Bonds issued by the State have associated costs that are paid from current available financial resources in the funds. However, these costs are deferred on the statement of net assets.		1,131,000
The pension assets resulting from contributions in excess of the annual required contribution are not financial resources and, therefore, are not reported in the funds.		2,571,639
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Those liabilities consist of:		
Bonds Payable	(146,794,569)	
Notes Payable	(989,193)	
Accrued Interest on Long-Term Liabilities	(1,893,256)	
Compensated Absences	(26,062,269)	
Intergovernmental Payable	(617,021)	
Capital Leases	(2,240,064)	
Claims and Judgments	(918,023)	
Total Long-Term Liabilities		(179,514,395)
Net Assets of Governmental Activities		$ 2,196,546,709

The Accompanying Notes are an Integral Part of the Financial Statements

STATE OF NORTH DAKOTA

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2003

	General	Federal	School Permanent Trust Fund	Other Governmental Funds	Total
REVENUES					
Individual and Corporate Income Taxes	$ 241,501,669	$ -	$ -	$ 7,308,509	$ 248,810,178
Sales and Use Taxes	401,756,502	-	-	148,464,283	550,220,785
Oil, Gas, and Coal Taxes	63,682,413	-	2,317,715	41,448,633	107,448,761
Business Taxes	41,039,940	-	-	21,919,278	62,959,218
Licenses, Permits and Fees	10,441,274	-	-	79,321,858	89,763,132
Intergovernmental	25,066,265	942,842,014	-	1,189,102	969,097,381
Sales and Services	1,940,615	2,667,498	-	33,752,540	38,360,653
Royalties and Rents	5,608,132	-	13,096,716	2,498,932	21,203,780
Fines and Forfeits	3,298,945	-	1,041,713	6,405,203	10,745,861
Interest and Investment Income	1,288,838	29,805	24,744,496	6,394,584	32,457,723
Tobacco Settlement	-	-	12,085,043	14,770,608	26,855,651
Commodity Assessments	-	-	-	10,221,202	10,221,202
Miscellaneous	428,106	2,245	-	3,759,875	4,190,226
Total Revenues	796,052,699	945,541,562	53,285,683	377,454,607	2,172,334,551
EXPENDITURES					
Current:					
General Government	68,475,297	1,677,723	-	6,385,910	76,538,930
Education	301,083,785	98,267,648	2,600,809	44,321,653	446,273,895
Health and Human Services	167,437,111	528,629,527	-	75,840,789	771,907,427
Regulatory	6,764,226	2,589,223	-	6,827,495	16,180,944
Public Safety and Corrections	54,297,990	30,871,630	-	10,094,695	95,264,315
Agriculture and Commerce	10,049,690	20,430,847	-	22,441,407	52,921,944
Natural Resources	11,843,329	10,715,399	-	29,846,548	52,405,276
Transportation	209,408	145,540,862	-	87,338,945	233,089,215
Intergovernmental - Revenue Sharing	-	-	-	148,181,078	148,181,078
Capital Outlay	10,610,311	72,742,343	-	31,837,936	115,190,590
Debt Service:					
Principal	118,212	72,624	-	7,547,517	7,738,353
Interest and Other Charges	-	-	-	8,403,267	8,403,267
Total Expenditures	630,889,359	911,537,826	2,600,809	479,067,240	2,024,095,234
Revenues Over (Under) Expenditures	165,163,340	34,003,736	50,684,874	(101,612,633)	148,239,317
OTHER FINANCING SOURCES (USES)					
Bonds and Notes Issued	-	1,605,424	-	14,515,599	16,121,023
Refunding Bonds Issued	-	-	-	43,374,000	43,374,000
Payment to Refund Bond Escrow Agent	-	-	-	(16,224,000)	(16,224,000)
Payment on Refunded Bonds	-	-	-	(28,100,000)	(28,100,000)
Capital Lease Acquistions	423,401	1,340,404	-	12,000	1,775,805
Sale of Capital Assets	2,831	113	-	231,085	234,029
Other	(15,495)	-	-	874	(14,621)
Transfers In	73,517,425	429,348	-	103,267,196	177,213,969
Transfers Out	(228,083,459)	(37,126,643)	(31,475,114)	(39,918,215)	(336,603,431)
Total Other Financing Sources (Uses)	(154,155,297)	(33,751,354)	(31,475,114)	77,158,539	(142,223,226)
Net Change in Fund Balances	11,008,043	252,382	19,209,760	(24,454,094)	6,016,091
Fund Balances - Beginning of Year, as Adjusted	115,908,161	25,494,411	568,146,096	475,716,030	1,185,264,698
Fund Balances - End of Year	$ 126,916,204	$ 25,746,793	$ 587,355,856	$ 451,261,936	$ 1,191,280,789

The Accompanying Notes are an Integral Part of the Financial Statements

STATE OF NORTH DAKOTA

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities

For the Fiscal Year Ended June 30, 2003

Net Change in Fund Balances-Total Governmental Funds		$ 6,016,091
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:		
Capital Outlay	112,004,532	
Depreciation Expense	(137,310,929)	
Excess of capital outlay over depreciation expense		(25,306,397)
In the statement of activities, only the *gain(loss)* on the sale of assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the book value of the assets sold.		(664,397)
Donations of capital assets increase net assets in the statement of activities but do not appear in the governmental funds because they are not financial resources.		30,307
Some of the assets acquired this year were financed through capital leases. The amount financed is reported in the governmental funds as a source of financing. However, capital leases are reported as long-term liabilities in the statement of net assets.		(1,775,805)
Based on receipt dates, some revenues are not considered "available" revenues and are deferred in the governmental funds. Deferred revenues increased/decreased by this amount this year.		(297,201)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue of internal service funds is reported with governmental activities.		1,339,545
Bonds proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets.		(59,495,023)
The pension assets resulting from contributions in excess of annual required contribution are not financial resources and, therefore, are not reported in the funds.		88,884
Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. In the current year, these amounts consist of:		
Bond principal retirement	51,177,210	
Note payments	766,381	
Capital lease payments	1,012,857	
Total long-term debt repayment		52,956,448
Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. These activities consist of:		
Net increase/decrease in accrued interest	895,808	
Net increase/decrease in compensated absences	1,272,601	
Net increase/decrease in intergovernmental payable	(29,748)	
Net increase/decrease in claims and judgments	99,865	
Total additional expenditures		2,238,526
Change in Net Assets of Governmental Activities		$ (24,869,022)

The Accompanying Notes are an Integral Part of the Financial Statements

STATE OF NORTH DAKOTA

Statement of Net Assets
Proprietary Funds
June 30, 2003

	Business-Type Activities - Enterprise Funds						Governmental Activities
	Bank of North Dakota	Housing Finance	University System	Workforce Safety and Insurance	Other Enterprise Funds	Total	Internal Service Funds
ASSETS							
Current Assets:							
Cash Deposits at the Bank of ND		$ 2,545,000	$ 55,837,866	$ 426,746	$ 16,610,169	$ 75,419,781	$ 6,811,495
Cash and Cash Equivalents		103,000	5,140,623	-	42,374,822	47,618,445	100
Investments at the Bank of ND		-	34,337,199	47,170,030	4,114,894	85,622,123	-
Investments		6,723,000	231,862	1,058,019,262	21,800,582	1,086,774,706	2,252,134
Accounts Receivable - Net		484,000	11,980,287	18,876,218	33,206,834	64,547,339	101,381
Interest Receivable - Net		239,000	12,947	7,187,058	2,824,940	10,263,945	48,844
Intergovernmental Receivable - Net		356,000	37,109,633	-	3,500,369	40,966,002	152,754
Due from Other Funds		78,000	7,108,213	72,731	212,697	7,471,641	4,833,130
Due from Fiduciary Funds		-	-	-	32,352	32,352	-
Due from Component Units		-	121,126	-	-	121,126	-
Prepaid Items		12,000	-	55,818	1,312,305	1,380,123	11,298
Inventory		-	6,678,473	-	10,526,299	17,204,772	117,066
Loans and Notes Receivable - Net		-	5,739,644	-	9,687,103	15,426,747	-
Other Current Assets		-	2,352,380	-	73,929	2,426,309	-
Restricted Cash at the Bank of ND		5,695,000	-	-	36,948,163	42,643,163	-
Restricted Cash and Cash Equivalents		165,434,000	-	-	-	165,434,000	-
Restricted Investments at the Bank Of ND		-	-	-	33,790,835	33,790,835	-
Restricted Interest Receivable - Net		2,978,000	-	-	2,099,073	5,077,073	-
Restricted Loans Receivable - Net		10,399,000	-	-	23,855,000	34,254,000	-
Total Current Assets		195,046,000	166,650,253	1,131,807,863	242,970,366	1,736,474,482	14,328,202
Noncurrent Assets:							
Restricted Cash at the Bank of ND		-	9,777,300	-	-	9,777,300	-
Restricted Cash and Cash Equivalents		-	15,677,604	-	256,262	15,933,866	-
Investments at the Bank of ND		-	25,450,950	-	-	25,450,950	-
Investments		-	11,150,806	-	225,315	11,376,121	-
Restricted Investments at the Bank Of ND		-	5,358,989	-	-	5,358,989	-
Restricted Investments		26,694,000	15,693,950	-	-	42,387,950	-
Loans and Notes Receivable - Net		-	36,573,602	-	61,177,144	97,750,746	-
Restricted Loans Receivable - Net		540,015,000	-	-	64,405,000	604,420,000	-
Unamortized Bond Issuance Costs		7,195,000	2,369,552	-	1,068,571	10,633,123	-
Other Noncurrent Assets		1,991,000	-	-	1,332,600	3,323,600	-
Capital Assets:							
Land and Construction in Progress		-	50,530,523	901,974	507,375	51,939,872	4,864,461
Infrastructure - Net		-	89,473,801	-	1,379,114	90,852,915	-
Buildings and Equipment -Net		56,000	387,401,250	11,337,102	44,698,953	443,493,305	49,551,694
Total Noncurrent Assets		575,951,000	649,458,327	12,239,076	175,050,334	1,412,698,737	54,416,155
Bank Related Assets:							
Cash and Cash Equivalents	$ 408,594,000					408,594,000	
Investments	226,816,000					226,816,000	
Interest Receivable - Net	17,341,000					17,341,000	
Due from Other Funds	36,481,000					36,481,000	
Loans and Notes Receivable - Net	1,278,940,000					1,278,940,000	
Other Assets	1,425,000					1,425,000	
Capital Assets:							
Land and Construction in Progress	672,000					672,000	
Buildings and Equipment - Net	4,469,000					4,469,000	
Total Bank Related Assets	1,974,738,000					1,974,738,000	
Total Assets	1,974,738,000	770,997,000	816,108,580	1,144,046,939	418,020,700	5,123,911,219	68,744,357

The Accompanying Notes are an Integral Part of the Financial Statements

	Business-Type Activities - Enterprise Funds						Governmental Activities
	Bank of North Dakota	Housing Finance	University System	Workforce Safety and Insurance	Other Enterprise Funds	Total	Internal Service Funds
LIABILITIES							
Current Liabilities:							
Accounts Payable		548,000	17,527,514	2,694,638	3,466,138	24,236,290	857,204
Accrued Payroll		-	8,655,952	-	221,451	8,877,403	1,142,679
Securities Lending Collateral		-	-	130,202,413	2,624,358	132,826,771	268,003
Interest Payable		16,818,000	546,718	-	389,432	17,754,150	191,770
Intergovernmental Payable		1,607,000	115,354	-	2,584,364	4,306,718	-
Due to Other Funds		3,755,000	12,030,932	55,825	17,477,699	33,319,456	1,130,061
Due to Component Units		-	41,566	-	-	41,566	-
Contracts Payable		-	1,271,530	-	-	1,271,530	-
Other Deposits		-	7,059,287	-	-	7,059,287	-
Amounts Held in Custody for Others		5,695,000	-	-	786,689	6,481,689	-
Claims/Judgments Payable		-	-	80,000,000	1,629,620	81,629,620	1,597,857
Compensated Absences Payable		91,000	791,721	26,081	67,617	976,419	55,163
Notes Payable		-	667,616	-	-	667,616	4,681,507
Capital Leases Payable		-	5,287,886	-	36,790	5,324,676	-
Bonds Payable		10,765,000	4,857,000	-	1,210,000	16,832,000	-
Deferred Revenue		76,000	13,954,701	42,969,904	178,445	57,179,050	-
Other Current Liabilities		-	-	-	1,835	1,835	-
Total Current Liabilities		39,355,000	72,807,777	255,948,861	30,674,438	398,786,076	9,924,244
Noncurrent Liabilities:							
Intergovernmental Payable		2,738,000	1,329,020	-	6,533,977	10,600,997	-
Claims/Judgments Payable		-	-	497,500,000	187,343	497,687,343	2,731,161
Compensated Absences Payable		62,000	16,494,786	566,678	778,671	17,902,135	1,138,147
Notes Payable		-	5,950,550	-	-	5,950,550	-
Capital Leases Payable		-	26,391,400	-	81,474	26,472,874	-
Bonds Payable		660,094,000	82,286,500	-	126,972,753	869,353,253	-
Other Noncurrent Liabilities		-	30,803	-	2,750,720	2,781,523	-
Total Noncurrent Liabilities		662,894,000	132,483,059	498,066,678	137,304,938	1,430,748,675	3,869,308
Bank Related Liabilities:							
Interest Payable	1,333,000					1,333,000	
Due to Other Funds	26,225,000					26,225,000	
Federal Funds Purchased	282,388,000					282,388,000	
Reverse Repurchase Agreements	14,300,000					14,300,000	
Deposits Held for Other Funds	611,731,038					611,731,038	
Other Deposits	459,121,962					459,121,962	
Other Liabilities	9,171,000					9,171,000	
Long Term Liabilities:							
Due within one year	60,271,000					60,271,000	
Due in more than one year	360,794,000					360,794,000	
Total Bank Related Liabilities	1,825,335,000					1,825,335,000	
Total Liabilities	1,825,335,000	702,249,000	205,290,836	754,015,539	167,979,376	3,654,869,751	13,793,552
NET ASSETS							
Invested in Capital Assets, Net of Related Debt	5,141,000	56,000	402,994,912	12,239,076	42,222,326	462,653,314	49,543,842
Restricted for:							
Capital Projects	-	-	21,270,618	-	5,513	21,276,131	-
Debt Service	-	40,215,000	8,901,005	-	26,999,065	76,115,070	-
Loan Purposes	-	-	45,259,836	-	1,063,355	46,323,191	-
Pledged Assets	99,818,000	17,877,000	-	-	-	117,695,000	-
Unemployment Compensation	-	-	-	-	54,421,960	54,421,960	-
Endowment Funds-Nonexpendable	-	-	11,214,712	-	-	11,214,712	-
Endowment Funds-Expendable	-	-	9,580,515	-	-	9,580,515	-
Other	-	-	4,154	-	-	4,154	-
Unrestricted	44,444,000	10,600,000	111,591,992	377,792,324	125,329,105	669,757,421	5,406,963
Total Net Assets	$ 149,403,000	$ 68,748,000	$ 610,817,744	$ 390,031,400	$ 250,041,324	$ 1,469,041,468	$ 54,950,805

Reconciliation of the Proprietary Funds Statement of Net Assets to the Statement of Net Assets

June 30, 2003

Total Net Assets - Enterprise Funds	$ 1,469,041,468
Amounts reported for business-type activities in the statement of net assets are different because:	
Prior year net assets restatement and reduction of current year expenses based on the allocation of internal service fund's net income	1,133,047
Net Assets of Business-Type Activities	$ 1,470,174,515

The Accompanying Notes are an Integral Part of the Financial Statements

STATE OF NORTH DAKOTA

Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Fiscal Year Ended June 30, 2003

	Business-Type Activities - Enterprise Funds						Governmental Activities
	Bank of North Dakota	Housing Finance	University System	Workforce Safety and Insurance	Other Enterprise Funds	Total	Internal Service Funds
OPERATING REVENUES							
Sales and Services	$ 9,764,000	$ 1,568,000	$ 52,201,025	$ 89,796,944	$ 167,999,324	$ 321,329,293	$ 56,447,364
Auxiliary Sales Pledged for Bonds	-	-	68,390,715	-	-	68,390,715	-
Tuition and Fees	-	-	114,875,544	-	-	114,875,544	-
Grants and Contributions	-	-	153,374,929	-	-	153,374,929	-
Royalties and Rents	-	-	-	-	7,870	7,870	-
Fines and Forfeits	-	-	-	950,355	-	950,355	-
Interest and Investment Income	91,231,000	45,269,000	-	-	11,086,517	147,586,517	-
Miscellaneous	-	-	1,644,466	-	19,818	1,664,284	181,190
Total Operating Revenues	100,995,000	46,837,000	390,486,679	90,747,299	179,113,529	808,179,507	56,628,554
OPERATING EXPENSES							
Cost of Sales and Services	-	-	33,287,436	-	88,376,807	121,664,243	1,206,146
Salaries and Benefits	7,566,000	1,748,000	379,028,194	10,857,180	4,073,004	403,272,378	14,571,626
Operating	8,642,000	4,125,000	147,718,279	6,745,473	14,290,616	181,521,368	27,624,845
Claims	-	-	-	149,135,552	57,408,961	206,544,513	3,074,704
Refunds	-	-	-	-	96	96	-
Scholarships and Fellowships	-	-	18,534,140	-	-	18,534,140	-
Interest	50,666,000	36,674,000	-	-	2,770,769	90,110,769	-
Depreciation	1,014,000	30,000	31,073,179	281,570	3,530,245	35,928,994	8,284,906
Miscellaneous	-	-	-	-	4,862	4,862	-
Total Operating Expenses	67,888,000	42,577,000	609,641,228	167,019,775	170,455,360	1,057,581,363	54,762,227
Operating Income (Loss)	33,107,000	4,260,000	(219,154,549)	(76,272,476)	8,658,169	(249,401,856)	1,866,327
NONOPERATING REVENUES (EXPENSES)							
Grants and Contracts	-	-	2,273,924	-	296,048	2,569,972	-
Gifts	-	-	17,826,655	-	-	17,826,655	-
Interest and Investment Income	-	16,860,000	3,344,989	84,711,936	6,469,741	111,386,666	235,939
Interest Expense	-	(13,166,000)	(4,976,203)	(4,329,611)	(511,925)	(22,983,739)	(21,822)
Loss on Sale of Capital Assets	-	-	(359,293)	(51,543)	(7,542)	(418,378)	(716,402)
Other	-	-	26,958	-	(239,956)	(212,998)	103
Total Nonoperating Revenues (Expenses)	-	3,694,000	18,137,030	80,330,782	6,006,366	108,168,178	(502,182)
Income (Loss) Before Contributions and Transfers	33,107,000	7,954,000	(201,017,519)	4,058,306	14,664,535	(141,233,678)	1,364,145
Capital Grants and Contributions	-	-	7,929,417	-	-	7,929,417	-
Transfers In	-	-	222,040,301	-	176,462	222,216,763	-
Transfer Out	(54,191,000)	(24,000)	(6,008,815)	-	(6,686,935)	(66,910,750)	-
Change in Net Assets	(21,084,000)	7,930,000	22,943,384	4,058,306	8,154,062	22,001,752	1,364,145
Total Net Assets - Beginning of Year, as Adjusted	170,487,000	60,818,000	587,874,360	385,973,094	241,887,262	1,447,039,716	53,586,660
Total Net Assets - End of Year	$ 149,403,000	$ 68,748,000	$ 610,817,744	$ 390,031,400	$ 250,041,324	$ 1,469,041,468	$ 54,950,805

Reconciliation of Statement of Revenues, Expenses and Changes in Fund Net Assets of Proprietary Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2003

Net Change in Net Assets-Total Enterprise Funds	$ 22,001,752
Amounts reported for business-type activities in the statement of activities are different because:	
Expenses were reduced based on the allocation of internal service fund's net income	24,600
Change in Net Assets of Business-Type Activities	$ 22,026,352

The Accompanying Notes are an Integral Part of the Financial Statements

STATE OF NORTH DAKOTA

Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2003

	Business-Type Activities - Enterprise Funds						Governmental Activities
	Bank of North Dakota	Housing Finance	University System	Workforce Safety and Insurance	Other Enterprise Funds	Total	Internal Service Funds
Cash Flows from Operating Activities:							
Receipts from Customers and Users	$ 9,074,000	$ 189,669,000	$ 118,758,512	$ 101,789,045	$ 322,688,169	$ 741,978,726	$ 56,405,657
Receipts from Tuition and Fees	-	-	115,718,303	-	-	115,718,303	-
Interest Income on Loans	-	-	-	-	582,193	582,193	-
Receipts from Loan Principal Repayments	-	-	8,867,431	-	13,220,964	22,088,395	-
Receipts from Federal and Local Agencies	-	-	5,556,315	-	-	5,556,315	75
Receipts from Other Funds	-	-	-	-	39,046	39,046	174,332
Receipts from Grants and Contracts	-	-	141,437,192	-	-	141,437,192	-
Receipts from Others	-	-	235,755	-	60,688	296,443	6,583
Payments for Loan Funds	-	-	(10,834,537)	-	(12,908,280)	(23,742,817)	-
Payments to Other Funds	-	-	-	-	-	-	(1,972,721)
Payments for Scholarships and Fellowships	-	-	(18,534,140)	-	(1,238)	(18,535,378)	-
Payments to Suppliers	(5,628,000)	(75,928,000)	(173,333,142)	(3,900,682)	(310,292,249)	(569,082,073)	(28,708,708)
Payments to Employees	(7,459,000)	(1,744,000)	(376,433,399)	(8,370,956)	(9,224,775)	(403,232,130)	(13,601,949)
Claim Payments	-	-	-	(79,347,442)	(45,403,454)	(124,750,896)	(1,809,743)
Payments to Others	-	(1,887,000)	(724,496)	(8,304,570)	(3,649)	(10,919,715)	(832,506)
Net Cash Provided by (Used for) Operating Activities	(4,013,000)	110,110,000	(189,286,206)	1,865,395	(41,242,585)	(122,566,396)	9,661,020
Cash Flows from Noncapital Financing Activities:							
Proceeds from Bonds	-	101,695,000	-	-	-	101,695,000	-
Proceeds from Sale of Notes and Other Borrowings	48,000,000	-	-	-	19,400,000	67,400,000	-
Principal Payments - Bonds	-	-	-	-	(63,855,000)	(63,855,000)	-
Principal Payments - Notes and Other Borrowings	(26,488,000)	(140,411,000)	-	-	(12,700,000)	(179,599,000)	(348,652)
Interest Payments - Bonds	-	(39,337,000)	-	-	(2,629,000)	(41,966,000)	-
Interest Payments - Notes and Other Borrowings	(24,181,000)	-	-	-	(390,748)	(24,571,748)	(11,503)
Payment of Bond Issue Costs	-	(778,000)	-	-	-	(778,000)	-
Transfers In	-	-	1,500,000	-	176,462	1,676,462	-
Transfers Out	(30,036,000)	(24,000)	(7,940,996)	-	(15,686,935)	(53,687,931)	-
Net Increase in Non-Interest Bearing Deposits	15,758,000	-	-	-	-	15,758,000	-
Net Decrease in Interest Bearing Deposits	(153,427,000)	-	-	-	-	(153,427,000)	-
Payments of Interest on Deposits	(24,388,000)	-	-	-	-	(24,388,000)	-
Interest Paid on Federal Funds and Reverse Repurchase Agreements	(3,658,000)	-	-	-	-	(3,658,000)	-
Net Increase in Federal Funds and Reverse Repurchase Agreements	(19,025,000)	-	-	-	-	(19,025,000)	-
Principal Payments on Due To Other Funds	-	-	-	-	(574,708)	(574,708)	-
Grants Received	-	-	19,939,016	-	296,048	20,235,064	-
State Appropriations	-	-	213,500,357	-	-	213,500,357	-
Agency Fund Cash Increase	-	-	(74,946)	-	-	(74,946)	-
Other	-	-	2,090,458	-	(7,935,941)	(5,845,483)	103
Net Cash Provided by (Used for) Noncapital Financing Activities	(217,445,000)	(78,855,000)	229,013,889	-	(83,899,822)	(151,185,933)	(360,052)
Cash Flows from Capital and Related Financing Activities:							
Acquisition and Construction of Capital Assets	(2,195,000)	-	(61,211,596)	(7,688,648)	(2,090,993)	(73,186,237)	(11,947,378)
Proceeds from Sale of Capital Assets	-	-	236,769	260	134,354	371,383	2,018,602
Proceeds from Bonds	-	-	-	-	2,171,925	2,171,925	-
Proceeds from Sale of Notes and Other Borrowings	-	-	42,155,267	-	-	42,155,267	-
Principal Payments - Bonds	-	-	-	-	(2,150,000)	(2,150,000)	-
Principal Payments - Notes and Other Borrowings	-	-	(22,090,280)	-	(552,512)	(22,642,792)	-
Interest Payments - Bonds	-	-	-	-	(101,229)	(101,229)	-
Interest Payments - Notes and Other Borrowings	-	-	(4,838,767)	-	(142,825)	(4,981,592)	-
Capital Appropriations	-	-	5,489,469	-	-	5,489,469	-
Payment of Bond Issue Costs	-	-	-	-	(33,350)	(33,350)	-
Payment on Capital Leases	-	-	-	-	(41,183)	(41,183)	(7,294)
Interest Payments - Capital Leases	-	-	-	-	-	-	(83)
Capital Grants and Gifts Received	-	-	8,801,164	-	-	8,801,164	-
Other	-	-	-	-	(240,956)	(240,956)	-
Insurance Proceeds	-	-	552,353	-	-	552,353	-
Net Cash Used for Capital and Related Financing Activities	(2,195,000)	-	(30,905,621)	(7,688,388)	(3,046,769)	(43,835,778)	(9,936,153)
Cash Flows from Investing Activities:							
Proceeds from Sale and Maturities of Investment Securities	747,815,000	245,000	47,034,242	22,000,000	279,606,664	1,096,700,906	1,089,396
Purchase of Investment Securities	(654,753,000)	-	(34,696,297)	(16,500,000)	(153,022,024)	(858,971,321)	-
Interest and Dividends on Investments	14,170,000	3,694,000	4,571,761	-	5,247,541	27,683,302	56,592
Net Increase in Loans	(54,253,000)	-	-	-	-	(54,253,000)	-
Disbursements for Loans and Loan Purchases	-	-	-	-	(1,000,000)	(1,000,000)	-
Receipt of Loan Principal Repayments	-	-	-	-	1,297,998	1,297,998	-
Loan Income Received	80,887,000	-	-	-	846,807	81,733,807	-
Net Cash Provided by Investing Activities	133,866,000	3,939,000	16,909,706	5,500,000	132,976,986	293,191,692	1,145,988

The Accompanying Notes are an Integral Part of the Financial Statements

	Business-Type Activities - Enterprise Funds						Governmental Activities
	Bank of North Dakota	Housing Finance	University System	Workforce Safety and Insurance	Other Enterprise Funds	Total	Internal Service Funds
Net Change In Cash:							
Net Increase (Decrease) in Cash and Cash Equivalents	(89,787,000)	35,194,000	25,731,768	(322,993)	4,787,810	(24,396,415)	510,803
Cash and Cash Equivalents at June 30, 2002	498,381,000	138,583,000	60,701,625	749,739	91,401,606	789,816,970	6,300,792
Cash and Cash Equivalents at June 30, 2003	$ 408,594,000	$ 173,777,000	$ 86,433,393	$ 426,746	$ 96,189,416	$ 765,420,555	$ 6,811,595
Reconciliation:							
Current:							
Cash Deposits at the Bank of North Dakota	$ -	$ 2,545,000	$ 55,837,866	$ 426,746	$ 16,610,169	$ 75,419,781	$ 6,811,495
Cash and Cash Equivalents	408,594,000	103,000	5,140,623	-	42,374,822	456,212,445	100
Restricted Cash Deposits at the Bank of North Dakota	-	5,695,000	-	-	36,948,163	42,643,163	-
Restricted Cash and Cash Equivalents	-	165,434,000	-	-	-	165,434,000	-
Noncurrent:							
Restricted Cash and Cash Equivalents	-	-	25,454,904	-	256,262	25,711,166	-
Cash and Cash Equivalents	$ 408,594,000	$ 173,777,000	$ 86,433,393	$ 426,746	$ 96,189,416	$ 765,420,555	$ 6,811,595
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used for) Operating Activities:							
Operating Income (Loss)	$ 33,107,000	$ 4,260,000	$ (219,154,549)	$ (76,272,476)	$ 8,658,169	$ (249,401,856)	$ 1,866,327
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:							
Depreciation	1,014,000	30,000	31,073,179	281,570	3,530,245	35,928,994	8,284,906
Amortization\Accretion	(79,000)	1,206,000	-	-	594,000	1,721,000	-
Reclassification of Interest Revenue\Expense	(41,471,000)	(2,433,000)	-	-	(8,233,566)	(52,137,566)	-
Gain on Sale of Student Loans	(465,000)	-	-	-	-	(465,000)	-
Net Increase (Decrease) in Fair Value of Investments	906,000	(1,903,000)	-	-	-	(997,000)	-
Interest Received on Program Loans	-	39,659,000	-	-	6,183,000	45,842,000	-
Disbursements for Loans and Loan Purchases	-	(69,855,000)	-	-	(77,564,000)	(147,419,000)	-
Receipt of Loan Principal Repayments	-	142,058,000	-	-	32,248,000	174,306,000	-
Provision for Losses	2,200,000	-	-	-	914,100	3,114,100	-
Premiums Collected	-	-	-	-	105,552,973	105,552,973	-
Premiums Paid	-	-	-	-	(105,552,973)	(105,552,973)	-
Other	11,000	(1,630,000)	3,807,002	-	52,346	2,240,348	(1,172)
Change in Assets and Liabilities:							
(Increase) Decrease in Accounts Receivable	-	(27,000)	(3,817,064)	1,063,021	(5,542,451)	(8,323,494)	(52,393)
Decrease in Interest Receivable	-	-	-	-	48,117	48,117	-
(Increase) Decrease in Due From	(504,000)	(48,000)	-	(35,201)	32,219	(554,982)	49,156
Decrease in Due From Fiduciary Funds	-	-	-	-	7,141	7,141	-
(Increase) Decrease in Intergovernmental Receivable	-	27,000	(5,458,157)	-	(990,656)	(6,421,813)	(43,187)
Increase in Notes Receivable	-	-	-	-	(40,747)	(40,747)	-
(Increase) Decrease in Prepaid Items	-	4,000	-	268,954	(794,749)	(521,795)	297,614
(Increase) Decrease in Inventories	-	-	(29,259)	-	125,059	95,800	8,662
(Increase) Decrease in Other Assets	226,000	-	(2,452,923)	-	-	(2,226,923)	-
Increase (Decrease) in Accounts Payable	-	63,000	2,810,919	(1,305,257)	(1,207,623)	361,039	(11,530)
Increase (Decrease) in Claims\Judgments Payable	-	-	-	76,700,000	125,656	76,825,656	1,300,217
Decrease in Intergovernmental Payable	-	(37,000)	-	-	(1,050,047)	(1,087,047)	-
Increase in Accrued Payroll	-	-	1,017,795	-	22,051	1,039,846	33,991
Increase in Compensated Absences Payable	-	-	1,577,000	67,664	64,851	1,709,515	74,773
Increase (Decrease) in Amounts Held for Others	-	(1,272,000)	-	-	35,405	(1,236,595)	-
Decrease in Other Deposits	-	-	(332,092)	-	-	(332,092)	-
Increase (Decrease) in Due To Other Funds	(20,000)	7,000	-	9,749	909,987	906,736	(2,076,660)
Increase (Decrease) in Deferred Revenue	-	1,000	1,671,943	1,108,576	683,034	3,464,553	(69,684)
Increase (Decrease) in Other Liabilities	1,062,000	-	-	(21,205)	(52,126)	988,669	-
Total Adjustments	(37,120,000)	105,850,000	29,868,343	78,137,871	(49,900,754)	126,835,460	7,794,693
Net Cash Provided by (Used for) Operating Activities	$ (4,013,000)	$ 110,110,000	$ (189,286,206)	$ 1,865,395	$ (41,242,585)	$ (122,566,396)	$ 9,661,020
Noncash Transactions:							
Net Increase (Decrease) in Fair Value of Investments	$ -	$ -	$ -	$ 74,750,090	$ 1,524,958	$ 76,275,048	$ (169,599)
Change in Securities Lending Collateral	-	-	-	14,808,502	508,155	15,316,657	(118,921)
Disposal of Equipment Under Capital Lease	-	-		38,171	-	38,171	-
Interest on Investments	-	-	-	36,377,339	-	36,377,339	-
Amortization of Bond Discount	-	-	-	-	8,219	8,219	-
Amortization of Bond Issuance Costs	-	-	-	-	2,779	2,779	-
Acquisition of Equipment Under Capital Lease	-	-	-	-	58,994	58,994	-
Assets Acquired Through Capital Lease	-	-	5,379,351	-	-	5,379,351	-
Assets Acquired Through Special Assessments	-	-	82,683	-	-	82,683	-
Expenses Paid by Capital Lease	-	-	3,705,060	-	-	3,705,060	-
Gifts of Capital Assets	-	-	4,908,360	-	-	4,908,360	-
Construction in Progress Through Assumption of Notes Payable	-	-	-	-	-	-	4,864,461
Interest Payable Through Assumption of Notes Payable	-	-	-	-	-	-	190,805
Total Noncash Transactions	$ -	$ -	$ 14,075,454	$ 125,974,102	$ 2,103,105	$ 142,152,661	$ 4,766,746

The Accompanying Notes are an Integral Part of the Financial Statements

STATE OF NORTH DAKOTA

Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2003

	Pension and Other Employee Benefit Trust Funds	Investment Trust Funds	Private Purpose Trust Funds	Agency Funds
ASSETS				
Cash Deposits at the Bank of ND	$ 9,112,047	$ 108,793	$ 97,483	$ 10,353,335
Cash and Cash Equivalents	-	-	724,069	2,273,261
Receivables:				
Contributions Receivable	9,845,574	-	-	-
Accounts Receivable-Net	411,319	-	436,350	5,958,531
Taxes Receivable-Net	-	-	-	8,004,204
Interest Receivable - Net	6,435,348	65,880	-	224
Due from Other Funds	92,312	-	22	132
Total Receivables	16,784,553	65,880	436,372	13,963,091
Investments, at Fair Value:				
Investments at the Bank of ND	22,964,811	409,989	18,465	8,215,847
Equities	16,267,550	-	-	-
Equity Pool	1,432,707,121	20,163,682	-	-
Fixed Income	8,658,263	-	27,667	2,408,609
Fixed Income Pool	593,104,107	16,779,495	-	-
Cash and Cash Pool	31,476,844	316,382	-	-
Real Estate Pool	167,117,793	1,181,789	-	-
Private Equity	103,258,442	524,249	-	-
Annuties	10,740,352	-	-	-
Mutual Funds	9,233,916	-	85,280,735	-
Total Investments	2,395,529,199	39,375,586	85,326,867	10,624,456
Invested Securities Lending Collateral	126,937,208	3,121,366	-	-
Capital Assets (Net of Depreciation)	35,932	-	-	-
Other Assets	35,898	-	-	114,742
Total Assets	2,548,434,837	42,671,625	86,584,791	$ 37,328,885
LIABILITIES				
Accounts Payable	2,036,903	25,078	1,077,518	$ -
Accrued Payroll	58,466	-	-	-
Securities Lending Collateral	126,937,208	3,121,366	-	-
Intergovernmental Payable	-	-	-	21,536,343
Due to Other Funds	191,296	-	-	-
Amounts Held in Custody for Others	-	-	-	15,792,542
Compensated Absences Payable	63,410	-	-	-
Capital Leases Payable	24,943	-	-	-
Total Liabilities	129,312,226	3,146,444	1,077,518	$ 37,328,885
NET ASSETS				
Net Assets Held in Trust for:				
Pension Benefits	2,418,109,690	-	-	
Other Employee Benefits	1,012,921	-	-	
External Investment Pool Participants	-	39,525,181	-	
Other Purposes	-	-	85,507,273	
Total Net Assets Held in Trust	$ 2,419,122,611	$ 39,525,181	$ 85,507,273	

The Accompanying Notes are an Integral Part of the Financial Statements

STATE OF NORTH DAKOTA

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Fiscal Year Ended June 30, 2003

	Pension and Other Employee Benefit Trust Funds	Investment Trust Funds	Private Purpose Trust Funds
ADDITIONS			
Contributions:			
Employer	$ 54,233,399	$ -	$ -
Employee	57,545,862	-	-
From Participants	-	-	94,397,117
Transfers from Other Funds	211,442	-	-
Transfers from Other Plans	102,129	-	-
Donations	-	-	12,990
Total Contributions	112,092,832	-	94,410,107
Investment Income:			
Net Increase (Decrease) in Fair Value of Investments	17,116,715	1,465,207	(7,723,172)
Interest and Dividends	76,321,167	1,228,510	833,757
Less Investment Expense	7,958,102	116,272	-
Net Investment Income	85,479,780	2,577,445	(6,889,415)
Securities Lending Activity:			
Securities Lending Income	2,249,746	51,309	-
Less Securities Lending Expense	1,822,223	44,297	-
Net Securities Lending Income	427,523	7,012	-
Repurchase Service Credit	1,610,239	-	-
Miscellaneous Income	464,806	-	-
Total Additions	200,075,180	2,584,457	87,520,692
DEDUCTIONS			
Benefits Paid to Participants	126,752,889	-	-
Refunds	2,715,379	-	-
Prefunded Credit Applied	3,893,070	-	-
Transfers to Other Plans	211,442	-	-
Payments in Accordance with Trust Agreements	-	-	4,489,672
Administrative Expenses	2,516,538	-	-
Total Deductions	136,089,318	-	4,489,672
Purchase of Units at Net Asset Value of $1.00 Per Unit	-	3,782,127	-
Change in Net Assets Held in Trust for:			
Pension Benefits	63,776,358	-	-
Other Employee Benefits	209,504	-	-
External Investment Pool Participants	-	6,366,584	-
Other Purposes	-	-	83,031,020
Net Assets--Beginning of Year	2,355,136,749	33,158,597	2,476,253
Net Assets--End of Year	$ 2,419,122,611	$ 39,525,181	$ 85,507,273

The Accompanying Notes are an Integral Part of the Financial Statements

STATE OF NORTH DAKOTA

Combining Statement of Net Assets
Component Units - Proprietary Funds
June 30, 2003

	CHAND	Municipal Bond Bank	Non-Major	Total
ASSETS				
Current Assets:				
Cash and Cash Equivalents	$ 1,240,617	$ 2,457,000	$ 13,419,198	$ 17,116,815
Investments	-	-	2,305,366	2,305,366
Accounts Receivable - Net	-	-	350,826	350,826
Interest Receivable - Net	-	-	89,948	89,948
Due from Primary Government	-	-	41,566	41,566
Inventory	-	-	85,081	85,081
Loans and Notes Receivable - Net	-	-	2,597,137	2,597,137
Other Current Assets	-	-	41,209	41,209
Restricted Cash and Cash Equivalents	-	3,255,000	-	3,255,000
Restricted Investments	-	12,442,000	-	12,442,000
Restricted Interest Receivable-Net	-	2,978,000	-	2,978,000
Total Current Assets	1,240,617	21,132,000	18,930,331	41,302,948
Noncurrent Assets:				
Investments	-	266,290,000	2,311,564	268,601,564
Loans and Notes Receivable - Net	-	-	4,762,906	4,762,906
Unamortized Bond Issuance Costs	-	1,229,000	-	1,229,000
Capital Assets:				
Land and Construction in Progress	-	-	988,112	988,112
Infrastructure - Net	-	-	528,320	528,320
Buildings and Equipment -Net	-	-	6,568,685	6,568,685
Total Noncurrent Assets	-	267,519,000	15,159,587	282,678,587
Total Assets	1,240,617	288,651,000	34,089,918	323,981,535
LIABILITIES				
Current Liabilities:				
Accounts Payable	251,184	31,000	619,384	901,568
Interest Payable	-	1,640,000	-	1,640,000
Intergovernmental Payable	-	765,000	61,000	826,000
Due to Primary Government	-	-	121,126	121,126
Claims/Judgments Payable	1,125,000	-	-	1,125,000
Notes Payable	-	-	940,251	940,251
Bonds Payable	-	7,380,000	-	7,380,000
Deferred Revenue	180,355	-	188,229	368,584
Total Current Liabilities	1,556,539	9,816,000	1,929,990	13,302,529
Noncurrent Liabilities:				
Intergovernmental Payable	-	155,000	423,827	578,827
Notes Payable	-	7,502,000	3,378,817	10,880,817
Bonds Payable	-	131,523,000	-	131,523,000
Total Noncurrent Liabilities	-	139,180,000	3,802,644	142,982,644
Total Liabilities	1,556,539	148,996,000	5,732,634	156,285,173
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	-	-	3,281,222	3,281,222
Restricted for:				
Debt Service	-	67,446,000	-	67,446,000
Loan Purposes	-	69,765,000	-	69,765,000
Other	-	-	2,951,826	2,951,826
Unrestricted	(315,922)	2,444,000	22,124,236	24,252,314
Total Net Assets	$ (315,922)	$ 139,655,000	$ 28,357,284	$ 167,696,362

The Accompanying Notes are an Intergral Part of the Financial Statements

STATE OF NORTH DAKOTA

Combining Statement of Activities
Component Units-Proprietary Funds
For the Fiscal Year Ended June 30, 2003

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue	General Revenues: Payments from State of North Dakota	Change in Net Assets	Net Assets Beginning of Year	Net Assets End of Year
CHAND	$ 7,377,312	$ 8,049,623	$ 17,701	$ 690,012	$ -	$ 690,012	$ (1,005,934)	$ (315,922)
Municipal Bond Bank	9,448,000	648,000	34,520,000	25,720,000	-	25,720,000	113,935,000	139,655,000
Nonmajor Component Units	7,856,871	6,623,087	860,945	(372,839)	1,175,000	802,161	27,555,123	28,357,284
Total Component Units	$ 24,682,183	$ 15,320,710	$ 35,398,646	$ 26,037,173	$ 1,175,000	$ 27,212,173	$ 140,484,189	$ 167,696,362

The Accompanying Notes are an Integral Part of the Financial Statements

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NOTES TO THE FINANCIAL STATEMENTS For the Fiscal Year Ended June 30, 2003

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The primary authority for the State's accounting and reporting requirements is the Office of Management and Budget. The Office of Management and Budget has adopted the pronouncements of the Governmental Accounting Standards Board (GASB), which is the nationally accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the State's accounting policies are as follows:

A. REPORTING ENTITY

For financial reporting purposes, the State of North Dakota has included all funds, organizations, agencies, boards and commissions that make up its legal entity. The State has also included all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the State are such that exclusion would cause the State's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the State to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the State.

As required by accounting principles generally accepted in the United States of America, these financial statements present the State of North Dakota (the primary government) and its component units. The component units are included in the State's reporting entity because of the significance of their operational or financial relationships with the State.

BLENDED COMPONENT UNITS

These component units are entities that are legally separate from the State, but are so intertwined with the State that they are, in substance, the same as the State. They are reported as part of the State and blended into the appropriate fund types.

- Building Authority (Debt Service Fund and Capital Projects Fund) - The Building Authority was created by the Legislature as a separate instrumentality of the State. Its purpose is to promote the general welfare of the citizens of the State by providing financing for use by the State in altering, repairing, maintaining or constructing buildings and making any improvements connected to State buildings. The Industrial Commission, which consists of the governor, the attorney general, and the commissioner of agriculture, is the governing board of the Building Authority. The funds and account groups of the Building Authority were audited by other independent auditors for the fiscal year ended June 30, 2003, and their report dated August 13, 2003, has been previously issued under a separate cover.

- The North Dakota University System Foundation is considered a blended component unit. Although it is a legally separate non-profit 501(c)(3) organization from the North Dakota University System, the North Dakota University System Foundation is reported as if it were part of the primary government because its sole purpose is to support the North Dakota University System. The members of the State Board of Higher Education serve as the Board of Trustees for the North Dakota University System Foundation.

- The NDSU Research Foundation is considered a blended component unit. Although it is a legally separate, not-for-profit 501(c)(3) organization from the North Dakota University System, the NDSU Research Foundation is reported as if it were part of the primary government because its sole purpose is to provide support to NDSU in its missions by enabling NDSU faculty to enhance their involvement in research, technology transfer, and business endeavors. Through linkages with public and private businesses and industries, the Foundation facilitates the commercialization of research technologies developed by NDSU faculty and staff. The Foundation was audited by other independent auditors for the fiscal year ended June 30, 2003, and their report dated August 22, 2003, has been previously issued under a separate cover.

DISCRETELY PRESENTED COMPONENT UNITS

These component units are entities that are legally separate from the State, but are financially accountable to the State. The component units' columns of government-wide financial statements include the financial data of these entities.

- Comprehensive Health Association (Proprietary Fund Type) - The Association was established by the Legislature with participating membership consisting of those insurance companies, licensed or authorized to do business in the State. It provides low cost access to health insurance coverage for residents of the State who are denied adequate health insurance and are considered uninsurable. The Association is governed by a board of eight members of which five are representatives of the State and is regulated by the State Insurance Department. The Association was audited by other independent auditors for the calendar year ended December 31, 2002, and their report dated March 7, 2003, has been previously issued under a separate cover.

- Municipal Bond Bank (Proprietary Fund Type) - The Bond Bank was created by the Legislature as a separate agency of the State. The purpose of the Bond Bank is to make funds available for borrowing by North Dakota political subdivisions through the issuance of its bonds and the purchase of municipal securities of the political subdivisions. The Bond Bank has been granted all powers required in order to accomplish this purpose and is under the control and management of the Industrial Commission. The Fund was audited by other independent auditors for the calendar year ended December 31, 2002, and their report dated January 29, 2003, has been previously issued under a separate cover.

- North Dakota Development Fund, Inc. (Proprietary Fund Type) - The Development Fund was established as a statewide nonprofit development corporation with the authority to take equity positions in; to provide loans to; or to use other innovative financing mechanisms to provide capital for new or expanding businesses in North Dakota or relocating businesses to North Dakota. A board of directors consisting of eight members, all of whom are appointed by the governor, manages the corporation. The deputy director of the Department of Commerce (a State agency) is the corporation's chief executive officer. The director of the Department of Commerce (governor-appointed cabinet position) is responsible for developing rules, subject to the approval of the board of directors, necessary to implement the administration of the corporation. The Fund was audited by other independent auditors for the fiscal year ended June 30, 2003, and their report dated August 6, 2003, has been previously issued under a separate cover.

- The NDSU Research and Technology Park, Inc., is a nonprofit organization developed to promote an economic environment dedicated to applied research and technology discovery for the benefit of NDSU, its faculty and staff, students, and the citizens of North Dakota. Its facilities are located on the campus of NDSU in Fargo, North Dakota. The organization was established in 1999 and is exempt from federal and state income taxes as it is organized under Section 501(c)(3) of the Internal Revenue Code. The majority of the Park's board of directors (six of nine) consists of people who work in private industry. Vacancies are filled by a majority vote of the board. Officers of NDSU fill three of the nine positions on the Park's board. The president of NDSU serves as president of the board of directors. The status of the Park as a discretely presented component unit is primarily due to the control by the NDSU president over the final building plans for any new building at the Park. This control is based on feedback from the Legislative Budget Section and is required by the land lease between the State Board of Higher Education and the Park, as well as NDUS policy. The Park was audited by other independent auditors for the fiscal year ended June 30, 2003, and their report dated August 8, 2003, has been previously issued under separate cover.

- The UND Aerospace Foundation is a North Dakota nonprofit organization organized in 1985 to encourage and develop the University of North Dakota's John D. Odegard School of Aerospace Sciences. The Foundation's principal activities consist of developing and conducting training programs, research and development, and consulting services related to the aerospace industry. The Foundation is managed by a board of directors consisting of five to seven members, including two or more persons who are active in the aerospace industry and/or graduates of UND with an interest in the aerospace industry, elected by the board; a senior manager of the Foundation, elected by the board; the dean of the Odegard School of Aerospace Sciences; and the president of the University. The Foundation benefits the University, financially and otherwise, through its promotion of the Odegard School and its programs and in the sharing of resources. The Foundation is reported as a discretely presented component unit as UND has voting members on the board of directors and because of the extent of the financial relationship between the entities. The Foundation was audited by other independent auditors for the fiscal year ended June 30, 2003, and their report dated August 26, 2003, has been previously issued under separate cover.

- The UND Center for Innovation Foundation is a North Dakota nonprofit organization organized in 1991 to engage in all types of activities relating directly or indirectly to supplying educational data and services to entrepreneurs, manufacturers, and emerging industries and to encourage and develop the Center for Innovation as it relates to the overall objectives of UND. The Foundation is managed by a board of directors of at least five voting members elected by the board and four ex-officio non-voting members: UND's president, vice president for Finance and Operations, dean of the College of Business and Public Administration, and the director of the Center for Innovation. The Foundation benefits the University, financially and otherwise, through its promotion of the College of Business and Public Administration and its Center for Innovation. The Foundation is reported as a discretely presented component unit because of the extent of the financial relationship between the entities. The Foundation was audited by other independent auditors for the fiscal year ended June 30, 2003, and their report dated August 8, 2003, has been previously issued under separate cover.

Complete financial statements for each of these individual component units may be obtained at the entity's administrative offices as follows:

Building Authority
600 E. Boulevard Ave., 14th Floor
Bismarck, ND 58505-0310

North Dakota University System Foundation
600 E. Boulevard Ave., Dept. 215
Bismarck, ND 58505-0230

North Dakota State University Research Foundation
1735 NDSU Research Park Drive
Fargo, ND 58105-5014

Comprehensive Health Association
4510 13th Avenue SW
Fargo, ND 58108

Municipal Bond Bank
700 East Main Avenue
Bismarck, ND 58501

North Dakota Development Fund, Inc.
1833 E. Bismarck Expressway
Bismarck, ND 58504

North Dakota State University Research and Technology Park, Inc.
1735 NDSU Research Park Drive
Fargo, ND 58105-5014

University of North Dakota Aerospace Foundation
P.O. Box 9023
Grand Forks, ND 58202-9023

University of North Dakota Center for Innovation Foundation
P.O. Box 8372
Grand Forks, ND 58202-8372

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The Statement of Net Assets and Statement of Activities report information on all non-fiduciary activities of the primary government and its component units. Primary government activities are distinguished between governmental and business-type activities.

Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The Statement of Net Assets presents the reporting entity's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation. Net assets restricted by enabling legislation are subject to change by a majority vote of the Legislative Assembly.

Unrestricted net assets consist of net assets which do not meet the definition of the two preceding categories. Unrestricted net assets often are designated, to indicate that management does not consider them to be available for general operations. Unrestricted net assets often have constraints on resources which are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not meeting the definition of program revenues are instead reported as general revenue.

FUND FINANCIAL STATEMENTS

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide statements. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements, with non-major funds being combined into a single column.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The government-wide statements are reported using the economic resources management focus and the accrual basis of accounting, as are the proprietary and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of cash flows.

The State follows the pronouncements of the Governmental Accounting Standards Board (GASB),

which is the nationally accepted standard-setting body for establishing accounting principles generally accepted in the United States of America for governmental entities. In accordance with Governmental Accounting Standards Board Statement 20, the State's enterprise funds, with the exception of the Bank of North Dakota, follows all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with GASB pronouncements. The Bank of North Dakota follows all applicable FASB pronouncements unless they conflict with the GASB pronouncements.

Governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as they become susceptible to accrual; generally when they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liablities of the current period.

Major revenues that are determined to be susceptible to accrual include interest, federal grants-in-aid, and taxpayer-assessed taxes such as income, sales, corporate, excise, motor fuel taxes and unemployment compensation contributions. All revenues are determined to be available if collected within one year of fiscal year end. Revenues earned under the terms of reimbursement agreements with other governments or private sources are recorded at the time the related expenditures are made if other eligibility requirements have been met. Sales and use taxes are accrued based upon filings received and an estimate of filings due by June 30. Net income taxes from individuals and corporations are accrued based on current income earned by the taxpayer before June 30. Quarterly filings, withholding statements, and other historical data are used to estimate income. The revenue is accrued net of an allowance for uncollectible taxes. Deferred revenue is recorded for receivables that are measurable but not available at year-end.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to debt service, compensated absences, and claims and judgments, are recorded only when payment is due and payable.

FINANCIAL STATEMENT PRESENTATION

The State reports the following major governmental funds:

The General Fund is the principal operating fund of the State. It is used to account for all financial resources that are not accounted for in other funds. Included are transactions for services such as education, general government, health services, legal and judiciary, natural resources, public safety, regulatory services, agriculture and commerce, and social services.

The Federal Fund accounts for all the financial resources from the federal government.

The School Permanent Trust Fund accounts for moneys belonging to common schools and other public institutions derived from the sale of or leasing of lands owned by the State.

The State reports the following major enterprise funds:

The Bank of North Dakota Fund finances economic development throughout the state, participates in loans with North Dakota financial institutions and holds interest-bearing deposit accounts for state and political subdivisions of North Dakota.

The Housing Finance Agency Fund is authorized to issue bonds to make loans to mortgage lenders for qualified residential mortgage loans and to make mortgage and construction loans for multi-family housing within the State of North Dakota.

The University System Fund accounts for all financial transactions of the colleges and universities that compose the University System of North Dakota.

The Workforce Safety & Insurance Fund is financed entirely by premiums assessed to the employers of North Dakota and provides no-fault medical and disability insurance to all North Dakota employees.

Additionally, the State reports the following fund types:

GOVERNMENTAL FUND TYPES:

Special Revenue Funds account for specific revenue sources that are legally restricted to expenditures for specified purposes. Examples include transportation, regulatory, and other activities.

Debt Service Funds account for resources obtained and used for the payment of interest and principal on revenue bonds that are funded primarily through taxes.

Capital Projects Funds account for resources obtained and used for the acquisition, construction or improvement of certain capital facilities (except those financed by non-governmental funds). Such resources are derived principally from proceeds of revenue bonds.

Permanent Funds report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that benefit the government or its citizenry, such as the common schools within the state.

PROPRIETARY FUND TYPES

Enterprise Funds account for those business-like State activities that provide goods/services to the public, financed primarily through user charges. They are also

used to account for operations where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability and other purposes. The State's loan programs, Mill and Elevator, and Fair are reported in this type.

Internal Service Funds account for the financing of goods and/or services provided by one department or agency to another department or agency of a government, or to other governments, on a cost-reimbursement basis. These goods and services include motor pool services; printing, reproduction and mailing services; information technology; risk management; and investment administration services. In the government-wide statements, internal service funds are included with governmental activities.

FIDUCIARY FUND TYPES

Pension and Other Employee Benefits Trust Funds account for resources that are required to be held in trust for the members and beneficiaries of the State's defined benefit pension plans, defined contribution plan, deferred compensation plan, flexcomp plan, and other post-employment benefit plans.

Investment Trust Funds account for the transactions, assets, liabilities, and fund equity of the external pool participants (City of Bismarck, ND Association of Counties, and City of Fargo Fargodome RIO Investments). The State Investment Board (SIB) provides administrative services for the external pool participants. SIB issues a publicly available financial report that may be obtained by writing to the Retirement and Investment Office, 1930 Burnt Boat Drive, Bismarck, North Dakota 58503. Investment Trust Funds are accounted for in essentially the same manner as Proprietary Funds.

Private Purpose Trust Funds account for resources of all other trust arrangements in which principal and income benefit individuals, private organizations, or other governments. Examples include student donations and the State's college savings plan.

Agency Funds account for assets held by the State as an agent for other governmental units, or other organizations, and do not involve measurement of results of operations.

D. GENERAL BUDGETARY POLICIES AND PROCEDURES

The State operates through a biennial appropriation that represents departmental appropriations recommended by the governor and presented to the Legislative Assembly at the beginning of each legislative session. The Legislative Assembly enacts the budgets of the various state departments through passage of specific appropriation bills. The governor has line item veto powers over all appropriations subject to legislative override.

Once passed and signed, the appropriation bill becomes the departments' financial plan for the next two years. Changes to the appropriation are limited to Emergency Commission authorization, initiative, allotment, or referendum action. The Emergency Commission can authorize receipt of federal or other moneys not appropriated by the Assembly if the Assembly did not indicate intent to reject the money. The Emergency Commission may authorize pass-through federal funds from one state agency to another. The Emergency Commission may authorize the transfer of expenditure authority between appropriated line items. The Legislature has also passed appropriation laws that authorize directors of certain state agencies to transfer appropriation authority among the various divisions of their specific agency, subject to the Budget Section of the North Dakota Legislative Council's approval. Unexpended appropriations lapse at the end of each biennium, except certain capital expenditures covered under the North Dakota Century Code (NDCC) section 54-44.1-11 and the University System's unexpended general fund appropriation authority.

The State's biennial budget is prepared primarily on a cash basis. The State does not use encumbrance accounting. The legal level of budgetary control is at the agency, appropriation, funding source and expenditure line item level, with administrative controls established at lower levels of detail in certain instances. The State does not formally budget revenues, and it does not budget by fund. The State appropriation is defined through the use of specific expenditure line items. Capital appropriations are generally made at the agency and project level.

North Dakota's Appropriation Act does not present budgets by GAAP fund. Instead, it authorizes General Fund appropriation authority by agency and Other Budgeted Income appropriation authority by agency. Other budgeted income includes all budgeted resources, other than the General Fund, and includes some governmental, proprietary, and fiduciary fund activities.

During 2003, the second year of the 2001-2003 biennium, there were general and federal fund supplemental appropriations of $180,115,080.

For the biennium ended June 30, 2003, the following department had expenditures which significantly exceeded appropriations at the line item level (the legal level of budgetary control) by the following amount:

Department	Line Item Level	Amount
Department of Public Instruction	Grants – Other Grants	$ 2,887,813

The Department of Public Instruction overspent their Grants – Other Grants line item by $2,887,813, primarily because of the increased funding by the federal government for the "No Child Left Behind Act of 2001." These funds became available July 1, 2002, and were not included in the initial appropriation. The 58th Legislative Assembly approved a supplemental appropriation to fund grants under the Act, but it was not sufficient to cover the entire amount of grant expenditures.

E. CASH AND CASH EQUIVALENTS

Cash and cash equivalents for reporting purposes includes cash and short-term, highly liquid investments that are readily convertible to known amounts of cash and so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. This includes investments with original maturity of three months or less. Also cash, as reported, may be under the control of the State Treasurer or by other administrative bodies as determined by law. Cash and cash equivalents are presented on the fund balance sheets as "Cash Deposits at the Bank of North Dakota" and "Cash and Cash Equivalents" to present the unique nature of the relationship between the Bank of North Dakota, an enterprise fund, and other state agencies.

Cash Deposits at the Bank of North Dakota. State agency cash balances, as required by law, are pooled by the State Treasurer and deposited in the Bank of North Dakota, an enterprise fund. These cash balances, in addition to other agency cash deposited at the Bank of North Dakota, are included on the fund balance sheets as "Cash Deposits at the Bank of North Dakota". For purposes of the Government-wide Statement of Net Assets, these amounts have been reclassified to internal balances.

Cash and Cash Equivalents. All cash and cash equivalents, (other than cash deposits at the Bank of North Dakota), as permitted by the North Dakota Century Code, are included on the Government-wide Statement of Net Assets as "Cash and Cash Equivalents".

The State had no cash overdrafts from pooled cash and investments at June 30, 2003.

All interest revenue is allocated to the General Fund unless state law (as outlined in the North Dakota Century Code) requires allocations of interest to other funds.

F. INVESTMENTS

All funds of the State record their investments in accordance with Government Accounting Standards Board (GASB) Statement No. 31, *"Accounting and Financial Reporting for Certain Investments."* Investments are recorded at fair value determined by reference to published market data for publicly traded securities and through the use of independent valuation services and appraisals for other investments. The net change in fair value of investments consists of the realized gains or losses and the unrealized increase or decrease in fair value of investments during the year. Realized gains and losses on sales of investments are computed based on the difference between the sales price and the original cost of the investment sold. Unrealized increases or decreases are computed based on changes in the fair value of investments between years. Security transactions are currently accounted for on a trade date basis. Interest income is recorded when earned. Dividend income is recorded on the ex-dividend date. Equity investments of the North Dakota Development Fund, Inc. (component unit of the State) are stated at estimated value in absence of a readily ascertainable market value. The Fund's Board of Directors estimates these values. Among the factors considered by the Fund's Directors in determining the fair value of investments, are the cost of the investment, developments since the acquisition of the investment, the financial condition and operating results of the issuer, the long-term potential of the business of the issuer, and other factors generally pertinent to the valuation of investments. The Fund's Directors, in making their evaluation, have relied on financial data of the investee and, in many instances, on estimates of the investee as to the potential effect of future developments. Total equity investments in the North Dakota Development Fund, Inc. are valued at $1,597,828 at June 30, 2003. All investments are maintained separately by fund.

Purchases of other state funds' debt issues by the Bank of North Dakota have been recorded as normal business transactions if they are the result of arms-length transactions.

Investments are presented on the fund balance sheets as "Investments at the Bank of North Dakota" and "Investments" to present the unique nature of the relationship between the Bank of North Dakota, an enterprise fund, and other state agencies.

Investments at the Bank of North Dakota. State agency investments, primarily certificates of deposits of the Bank of North Dakota, are included on the fund balance sheets as "Investments at the Bank of North Dakota." For purposes of the Government-wide

Statement of Net Assets, these amounts have been reclassified to internal balances.

Investments. State agency investments invested at financial institutions other than the Bank of North Dakota are included on the Government-wide Statement of Net Assets as "Investments."

Differences on the Fund Balance Sheets between the assets, "Cash at the Bank of North Dakota" and "Investments at the Bank of North Dakota," and the liability, "Deposits Held For Other Funds," is attributable to timing differences resulting from the Bank of North Dakota having a different fiscal year end than many of the other state agencies.

G. SECURITIES LENDING

GASB Statement No. 28, *"Accounting and Financial Reporting for Securities Lending Transactions,"* establishes accounting and financial reporting standards for securities lending transactions. The standard requires governmental entities to report securities lent as assets in their balance sheets. Cash received as collateral and investments made with that cash must also be reported as assets. The statement also requires the costs of the securities lending transactions to be reported as expenses separately from income received. In addition, the statement requires disclosures about the transactions and collateral related to them.

Securities are loaned versus collateral that may include cash, U.S. government securities, and irrevocable letters of credit. U.S. securities are loaned versus collateral valued at 102 percent of the market value of the securities plus any accrued interest. Non-U.S. securities are loaned versus collateral valued at 105 percent of the market value of the securities plus any accrued interest.

Non-cash collateral cannot be pledged or sold unless the borrower defaults.

All securities loans can be terminated on demand by either the lender or borrower. The average term of overall loans is ninety-four days; however, the average term of loans for the Land Department is sixty days.

Cash open collateral is invested in a short-term investment pool, the Core USA Collateral Section, which had an interest sensitivity of thirty-eight days as of this statement date. Cash collateral may also be invested separately in *"term loans,"* in which case the investments match the loan term. These loans can be terminated on demand by either lender or borrower.

There were no significant violations of legal or contractual provisions, and no borrower or lending agent default losses known to the securities lending agent.

There are no dividends or coupon payments owing on the securities lent. Securities lending earnings are credited to participating clients on approximately the fifteenth day of the following month.

Indemnification deals with the situation in which a client's securities are not returned due to the insolvency of a borrower and Northern Trust (custodian of investments) has failed to live up to its contractual responsibilities relating to the lending of those securities. Northern Trust's responsibilities include performing appropriate borrower and collateral investment credit analyses, demanding adequate types and levels of collateral, and complying with applicable Department of Labor and Federal Financial Institutions Examination Council regulations concerning securities lending. Northern Trust indemnifies the State if the borrower fails to return the securities (and if the collateral is inadequate to replace the securities lent) or fails to pay income distributions on them.

For securities loaned at year end, the State has no credit risk exposure to borrowers because the amounts the State owes the borrowers exceed the amounts the borrowers owe the State.

H. INTERFUND ACTIVITY AND BALANCES

INTERFUND ACTIVITY

As a general rule, the effect of interfund activity has been eliminated from the government-wide statements. Exceptions to this rule are: 1) activities between funds reported as governmental activities and funds reported as business-type activities and 2) activities between funds that are reported in different functional categories in either the governmental or business-type activities column. Elimination of these activities would distort the direct costs and program revenues for the functions concerned.

In the fund financial statements, transfers represent flows of assets (such as goods or cash) without equivalent flows of assets in return or a requirement for repayment. Residual transfer amounts exist in the Government-wide Statement of Activities due to different fiscal year ends of various agencies included in business-type activities.

INTERFUND BALANCES

Interfund receivables and payables have been eliminated from the Statement of Net Assets, except for the residual amounts due between governmental and business-type activities.

I. INVENTORIES AND PREPAID ITEMS

Inventories of Governmental Funds are valued at cost and are recognized principally using the average cost method. Generally, the cost of Governmental Funds' inventories is recorded as an expenditure when consumed rather than when purchased.

Inventories of Proprietary Funds consist primarily of grain inventories from the North Dakota Mill and Elevator Association. Grain inventories are valued at the June 30 Minneapolis grain market values less freight costs to Minneapolis. Grain committed to production is valued at cost, and grain committed to sale is valued at net commitment price. Flour, feed and resale inventories are valued at ingredient cost plus manufacturing costs incurred in their production. Proprietary Funds expense the cost of consumable supplies when used.

Generally, inventories of University System Funds are valued at the lower of cost or fair market value. Cost is generally determined on the first in/first out, or moving weighted average method. Inventories consist of food, books, and other merchandise held for resale in auxiliaries and unrestricted physical plant supplies.

Federal fund inventories of commodities and vaccines totaling $2,845,749 are recorded as inventory and deferred revenue on the Government-wide Statement of Net Assets.

The Department of Human Services has approximately $3.0 million in food stamp inventory, which is included in the Federal Fund Inventory.

Prepaid items reflect payments for costs applicable to future accounting periods.

Other government fund inventories and prepaid items are reflected as a reservation of fund balance on the balance sheet.

J. UNAMORTIZED BOND ISSUANCE COSTS

In governmental fund types, issuance costs are recognized in the operating statements when incurred. Bond premiums, discounts and issuance costs for proprietary fund types are deferred and amortized over the term of the bonds using the bonds outstanding method, which approximates the effective interest method. The unamortized discount is shown on the balance sheet as a reduction of the bonds payable, and the amortization is included in the statement of revenues, expenses and changes in fund balance as interest expense.

K. CAPITAL ASSETS

Capital assets, which include land, buildings, equipment, construction in progress and infrastructure assets, are valued at historical cost or at estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair market value on the date of donation. Where necessary, estimates of original cost are derived by factoring price levels from the current period to the time of acquisition. Library books are not capitalized as capital assets except for the University System.

All other capital assets with an original cost of $5,000 ($100,000 or more for infrastructure reported by the Department of Transportation) or more per unit and an estimated useful life in excess of one year are capitalized and reported in the applicable government or business-type activities columns in the government-wide financial statements. Capital asset costs include the purchase price or construction cost, plus the costs necessary to place the asset in its intended location and condition for use. In governmental activities, interest costs on self-constructed assets are not capitalized. In business-type activities, interest costs (if material) on self-constructed assets are also included in the cost. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period. Capitalized interest is amortized on the straight-line basis over the estimated useful life of the asset. Normal maintenance and repair costs that do not materially add to the value or extend the life of the asset are not capitalized.

Collections of works of art and historical treasures are not capitalized if the following three criteria are met: (1) Held for public exhibition, education, or research in furtherance of public service, rather than financial gain; (2) Protected, kept unencumbered, cared for, and preserved; (3) Subject to organizational policy that requires the proceeds from sales of collection items to be used to acquire other items for collections. The State's non-capitalized collections include the historical artifacts at the various state museums and historical sites, and monuments and other art throughout the capital grounds. Assets that do not meet all three criteria, or that were capitalized as of June 30, 1999, are capitalized and included in the government-wide financial statements.

Infrastructure consists of major statewide public systems and items attached thereto such as freeways, freeway lighting systems, freeway drainage systems, freeway signs, bridges, bridge lighting systems, and sewer systems. Infrastructure is reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The Department of Transportation uses the first-in first-out method to remove the capitalized cost of a replaced road along with corresponding accumulated depreciation.

Fixed assets in Governmental Funds are recorded as expenditures in the funds used to acquire or construct them in the governmental fund financial statements. Capital assets, along with accumulated depreciation and depreciation expense are reported in the applicable governmental or business-type activities columns in the government-wide financial statements.

Land and construction in progress are not depreciated. With the exception of infrastructure reported by the Department of Transportation (which uses the composite method), other capital assets are depreciated using the

straight-line method over the following estimated useful lives:

Assets	Years
Buildings	10-50
Infrastructure	10-50
Furniture, Automobiles, and Equipment	3-20

L. LEASE COMMITMENTS

The State leases land, office facilities, office and computer equipment, and other assets. Leases are classified according to FASB 13. Many of these leases have fiscal funding clauses; however, these clauses have no effect on classifying these leases for accounting purposes. Leases which represent acquisitions are classified as capital leases, and the related assets and liabilities are recorded in the general purpose financial statements at the inception of the lease. Other leases are classified as operating leases with the lease payments recorded as expenditures or expenses during the life of the lease.

M. FEDERAL FUNDS PURCHASED

Federal Funds Purchased represent federal funds borrowed by the Bank of North Dakota from member banks generally on an overnight basis at the federal funds rate.

N. CLAIMS/JUDGMENTS PAYABLE

Claims/Judgments Payable is primarily Workers Compensation Claims Incurred But Not Yet Reported (IBNR) by the claimants as well as claims related to various litigation matters.

O. COMPENSATED ABSENCES

ANNUAL LEAVE

State employees accrue vested annual leave at a variable rate based on years of service. Teachers employed by the State do not receive annual leave. In general, accrued annual leave cannot exceed 30 days at each year end, as set by the agency. The amount of annual leave earned ranges between one and two days per month, and is fixed by the employing unit per section 54-06-14 of the NDCC.

The governmental fund financial statements recognize annual leave when the liability is incurred and payable from available expendable resources. The government-wide financial statements present the cost of accumulated annual leave as a liability. Proprietary and Fiduciary Funds recognize the expense and accrued liability when the annual leave is earned.

SICK LEAVE

The North Dakota Century Code, section 54-06-14, states employees accrue sick leave at the rate of one to a maximum of one and one-half working days per month of employment without limitation on the amount that can be accumulated. Employees vest at ten years of creditable service, at which time the State is liable for ten percent of the employee's accumulated unused sick leave. The governmental fund financial statements recognize sick leave as it is incurred. The government-wide financial statements present the estimated cost of sick leave as a liability after an employee has been employed by the State for six consecutive years.

P. DEPOSITS

The following two liability line items are presented in the Government-wide Statement of Net Assets and/or fund financial statements:

Deposits Held For Other Funds. "Deposits Held For Other Funds" are those deposits held by the Bank of North Dakota for other funds included in the reporting entity and shown on the fund financial statements. For purposes of the Government-wide Statement of Net Assets, these amounts have been reclassified to internal balances.

Other Deposits. "Other Deposits" are those deposits held by the Bank of North Dakota for non-reporting entity third parties. It also includes deposits held for students of the University System.

Differences on the fund balance sheets between the liability "Deposits Held For Other Funds" and the assets "Cash Deposits and Investments at the Bank of North Dakota" are attributable to timing differences resulting from the Bank of North Dakota having a different accounting year end than many other state agencies.

Q. DEFERRED REVENUE

In the government-wide statements and proprietary fund financial statements, deferred revenue is recognized when cash, receivables, or other assets are received prior to their being earned. In the governmental fund statements, deferred revenue is recognized when revenue is unearned or unavailable.

R. REVENUES AND EXPENDITURES/EXPENSES

In the Government-wide Statement of Activities, revenues and expenses are segregated by activity (governmental or business-type), then further by function for governmental activities (e.g., general government, education, health and human services, etc.). Additionally, revenues are classified between program and general revenues. Program revenues include 1) charges to customers or applicants for goods or

services, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues, rather than as program revenue. General revenues include all taxes. Certain indirect costs are included in the program expenses reported for individual functions.

In the government-wide financial statements, revenues are reported by source and are further classified as either "general purpose" or "restricted". General purpose revenues are available to fund any activity accounted for in the fund. Restricted revenues are, either by State law or by outside restriction (e.g., federal grants), available only for specified purposes. Unused restricted revenues at year-end are recorded as reservations of fund balance. When both general purpose and restricted funds are available for use, it is the State's policy to use restricted resources first.

In the governmental fund financial statements, expenditures are reported by character: "Current," "Intergovernmental-revenue Sharing," "Capital Outlay," or "Debt Service." Current expenditures are subclassified by function and are for items such as salaries, grants, supplies, and services.

Capital outlay includes expenditures for real property or infrastructure (e.g., highways). Intergovernmental-revenue sharing accounts for the distribution of certain tax revenues that are shared with local units based upon constitutional and statutory requirements. Debt service includes both interest and principal outlays related to bonds and payments on capitalized leases.

Revenues and expenses of proprietary funds are classified as operating or nonoperating and are subclassified by object (e.g., salaries, depreciation, and purchases for resale). Operating revenues consist of sales of goods and services, quasi-external operating transactions with other funds, grant revenues for specific activities that are considered to be operating activities of the grantor, receipts from other agencies for reimbursement of operating transactions, and other miscellaneous revenue that should be classified as operating. Grants that would qualify as an operating activity are those that do not subsidize an existing program, rather they finance a program the agency would otherwise not undertake. For certain loan and investment programs, revenue that would normally be classified as non-operating should be classified as operating. Examples of this would include interest and investment income. All other revenues that do not meet the above criteria should be classified as non-operating.

S. NET ASSETS/FUND BALANCE

The difference between fund assets and liabilities is "Net Assets" on the government-wide, proprietary, and fiduciary fund statements, and "Fund Balance" on governmental fund statements.

T. CHANGE IN ACCOUNTING PRINCIPLE

Effective July 1, 2002, the State revised its prepaid item policy, for governmental funds, to reflect payments for costs applicable to future accounting periods. Previously these payments were reflected as expenditures in the period paid.

NOTE 2 – RESTATEMENTS

Certain restatements have been made to beginning fund equity for a change in accounting principle discussed previously and for correction of errors. The following changes to beginning fund equity, as previously reported, are summarized in the following table (expressed in thousands):

	Government-wide Governmental Activities	General	Federal	Nonmajor Governmental Funds	University System
June 30, 2002, fund balances/net assets, as previously reported	$ 2,218,807	$ 115,488	$ 25,202	$ 475,258	$ 604,745
Prior period adjustments:					
Change in accounting principles					
Prepaid items	-	420	292	458	-
Correction of errors	2,609	-	-	-	(16,871)
June 30, 2002, fund balances/net assets, as restated	$ 2,221,416	$ 115,908	$ 25,494	$ 475,716	$ 587,874

	Nonmajor Enterprise
June 30, 2002, fund balances/net assets, as previously reported	$ 235,745
Prior period adjustments:	
Changes in accounting principles:	
Reclassification of funds	
Revenue recognition	
Correction of errors	6,142
June 30, 2002, fund balances/net assets, as restated	$ 241,887

CORRECTION OF ERRORS

The beginning net assets of the Government-wide Governmental Activities was restated by $2,608,779. Prepaid items were overstated by $1,153,820. Pension assets of $2,486,531 and capital assets of $1,031,997 were understated. Miscellaneous other corrections were made totaling $244,071.

The beginning net assets of the University System was restated by $16,871,464. There was an error in calculating the cumulative effect of change in accounting principal for accumulated depreciation.

The beginning net assets of the Fire and Tornado Fund, a Nonmajor enterprise fund, was restated by $5,504,248. There was an error in recording claims and judgments payable that were partially covered by reinsurance.

The beginning net assets of the Unemployment Compensation Fund, a nonmajor enterprise fund, was restated by $638,066. There was an error in recording deferred revenue based on the timing of premium collections.

NOTE 3 - DETAILED NOTES ON ACCOUNT BALANCES

A. DEPOSITS

State law generally requires that all State funds be deposited in the Bank of North Dakota. NDCC 21-04-01 provides that public funds belonging to or in the custody of the State shall be deposited in the Bank of North Dakota. Also, NDCC 6-09-07 states, "[a]ll state funds . . . must be deposited in the Bank of North Dakota" or must be deposited in accordance with constitutional and statutory provisions.

The following summary presents the amount of the State's deposits which are fully insured or collateralized with securities held by the State or by its agent in the State's name (Category 1), those deposits which are collateralized with securities held by the pledging financial institution's trust department or agent in the State's name (Category 2) and those deposits which are not collateralized or are collateralized by the pledging financial institution trust or agent, but not in the State's name (Category 3) at June 30, 2003. Funds deposited at the Bank of North Dakota are not credit risked since the Bank is part of the State's reporting entity. The amounts are expressed in thousands:

Primary Government:

	Category 1	Category 2	Category 3	Total Bank Balance	Carrying Amount
Cash Deposits	$ 28,363	$ 407	$ 329,017	$ 357,787	$ 515,244
Certificates of Deposit Recorded as Investments	3,598	-	15	3,613	3,613
Total	$ 31,961	$ 407	$ 329,032	$ 361,400	$ 518,857

Component Units:

	Category 1	Category 2	Category 3	Total Bank Balance	Carrying Amount
Cash Deposits	$ 1,610	$ -	$ 910	$ 2,520	$ 2,471
Certificates of Deposit Recorded as Investments	-	-	12,712	12,712	12,712
Total	$ 1,610	$ -	$ 13,622	$ 15,232	$ 15,183

Included in the internal receivable amount in the governmental activities column in the Statement of Net Assets is $431,643,103 of Cash and Investments at the Bank of North Dakota for governmental activities. The internal payable amount in the business-type activities column includes $291,216,997 of deposits the Bank has for governmental activities. Because the Bank has a different fiscal year end, these internal balances do not equal.

B. INVESTMENTS

The investment policies of the State of North Dakota are governed by NDCC 6-09-07, 15-10-12, and 21-04-02, indicating that all public funds must be deposited in the Bank of North Dakota unless there are other constitutional or statutory provisions. If there are no statutory provisions and the funds are invested outside the Bank of North Dakota, the state agency must have the permission of the North Dakota Industrial Commission.

Investments are generally managed by the State Investment Board, the North Dakota Board of University and School Lands, the Bank of North Dakota, and the North Dakota State Treasurer's Office. Management responsibilities and investment instruments as authorized by statute are as follows:

1. State Investment Board (SIB) – NDCC 21-10 designates the SIB with investment responsibilities for the Public Employees' Retirement System, Bonding Fund, Teachers' Fund for Retirement, Fire and Tornado Fund, Workforce Safety & Insurance Fund, and other specific funds. The Century Code states the SIB shall apply the prudent investor rule in investing funds under its supervision.

   The State Investment Board's investment policy allows investment managers to use derivative securities. Managers are specifically permitted to use treasury futures and options, S&P 500 index future options, and currency forwards and futures to hedge portfolio risk, but not to speculate or to leverage the portfolio. Managers may use their discretion to use other derivatives to enhance returns, reduce risk, or facilitate the management of index funds. SIB's policy with respect to these derivatives is that their use may not increase the credit, market, or legal risk level associated with a fully invested portfolio of common stocks or fixed income obligations, depending on the manager's designated role.

2. North Dakota Board of University and Schools Lands – The Century Code states that the Board of University and School Lands shall apply the prudent investor rule in investing its funds. Also, NDCC 15-03-04 allows the Board to invest in first mortgages on farmlands and improvements thereon in this state to the extent such mortgages are guaranteed or insured by the United States or any instrumentality thereof, or if not so guaranteed or insured, not exceeding in amount 80 percent of the actual value of the property on which the same may be loaned, such value to be determined by competent appraisal.

3. The Bank of North Dakota – NDCC 6-09 authorizes the Bank of North Dakota. The Bank is owned and operated by the State of North Dakota under the supervision of the North Dakota Industrial Commission. The Bank may have investments in anything that any bank lawfully may do, except what is restricted by NDCC 6-09.

4. The North Dakota State Treasurer's Office – The North Dakota Constitution and various sections of the Century Code authorize the State Treasurer to invest all State funds deposited with the State Treasury. However, the State Treasurer must invest the public funds with the Bank of North Dakota unless there is statutory authority to do otherwise. Generally, the State Treasurer pools deposits and invests in money market accounts and Bank of North Dakota certificates of deposit.

5. University System – NDCC 15-55-05 and 15-55-06 govern the investment of proceeds of revenue bonds and revenues pledged to bondholders. Investments governed by a gift instrument are covered under NDCC 15-67-04. Subject to any limitations in the gift instrument, such funds may be invested in any real or personal property deemed advisable by the governing board.

The State's investments are categorized below per GASB Statement Three according to the level of credit risk assumed by the State. Category 1 includes investments which are insured or registered, or securities which are held by the State or the State's agent in the State's name. Category 2 includes uninsured and unregistered investments, with securities held by the counterparty or their trust department or agent in the State's name. Category 3 includes uninsured and unregistered investments, with securities which are held by the counterparty or their trust department or agent, but not in the State's name. The amounts are expressed in thousands:

Primary Government:	Category			
	1	2	3	Fair Value
Equity Securities				
Not on Securities Loan	$ 858,868	$ -	$ 8,116	$ 866,984
On Securities Loan	3,793	-	-	3,793
Bonds and Notes				
Not on Securities Loan	637,084	-	31,157	668,241
On Securities Loan	3,243	-	-	3,243
U.S. Government & Agency Issues				
Not on Securities Loan	649,282	225	-	649,507
On Securities Loan	58,063	-	-	58,063
	$ 2,210,333	$ 225	$ 39,273	2,249,831
Investments in Real Estate Pool				176,606
Investments in Unemployment Compensation Pool				38,981
Guaranteed Investment Contract				88,342
Annuities				152
Mutual Funds				1,471,312
Private Equity				103,783
Non-Security Investments				2,000
Held By Brokers/Dealers				4,112
Investments Held By Broker-Dealer Under Securities Loans With Cash Collateral:				
Equity Securities				104,010
Bonds and Notes				130,728
U.S. Government & Agency Issues				75,434
Securities Lending Short-Term Collateral Investment Pool				318,420
Totals				$ 4,763,711

Component Units:	Category			
	1	2	3	Fair Value
Equity Securities	$ -	$ -	$ 3,019	$ 3,019
U.S. Government & Agency Issues	113	-	-	113
Obligations of State and Political Subdivisions	567	-	-	567
	$ 680	$ -	$ 3,019	3,699
Guaranteed Investment Contract				74,296
Non-Security Investments				175,749
Totals				$ 253,744

There were no violations of statutory authority or contractual provisions for investments during the year ended June 30, 2003.

C. REVERSE REPURCHASE AGREEMENTS

State statutes permit the State to enter into reverse repurchase agreements, that is, the sale of securities with a simultaneous agreement to repurchase them in the future at the same price plus a contract rate of interest. The fair value of the securities underlying reverse repurchase agreements normally exceeds the cash received, providing the dealers a margin against a decline in fair value of the securities. All sales of investments under these agreements are for fixed terms. In investing the proceeds of these agreements, State policy is for the term to maturity of the investment to be the same as the term of the agreement. Such matching existed at year end. These agreements are secured by Fed book-entry securities held in the State's name. At June 30, 2003, the State had reverse repurchase agreements of $14,300,000 included in securities lending collateral on the statement of net assets. The highest month end balance for the previous year was $17,300,000 with an average daily balance of $9,908,000. The weighted average interest rate as of year end was 1.05 percent. The weighted average interest rate paid during the year was 1.56 percent. The fair value of these securities at June 30, 2003, was $14,300,000.

D. RECEIVABLES

Receivables at June 30, 2003, consist of the following (expressed in thousands):

	General	Federal	School Permanent Trust Fund	Other Governmental Funds	Bank of North Dakota	Housing Finance	University System
Receivables:							
Accounts	$ 7,112	$ 5,613	$ -	$ 16,601	$ -	$ 484	$ 12,780
Less Allowance	(260)	-	-	(4,092)	-	-	(800)
Taxes	121,467	-	226	52,073	-	-	-
Less Allowance	(13,771)	-	-	(8,618)	-	-	-
Interest	8	-	4,820	1,740	17,341	3,217	13
Less Allowance	-	-	-	(569)	-	-	-
Current Loans and Notes	31	-	1,098	4,810	184,282	10,399	6,210
Less Allowance	-	-	-	-	-	-	(470)
Noncurrent Loans and Notes	94	-	30,342	66,396	1,119,749	540,015	39,571
Less Allowance	(20)	-	-	(4,487)	(25,091)	-	(2,997)
Net Receivables	$ 114,661	$ 5,613	$ 36,486	$ 123,854	$ 1,296,281	$ 554,115	$ 54,307

	Workforce Safety & Insurance	Other Enterprise Funds	Internal Service Funds	Fiduciary Funds	Component Units: Municipal Bond Bank	Component Units: Non-Major Component Units	Total
Receivables (continued):							
Accounts	$ 22,376	$ 37,472	$ 101	$ 6,806	$ -	$ 351	$ 109,696
Less Allowance	(3,500)	(4,265)	-	-	-	-	(12,917)
Taxes	-	-	-	-	-	-	173,766
Less Allowance	-	-	-	-	-	-	(22,389)
Interest	7,187	4,924	49	6,501	2,978	90	48,868
Less Allowance	-	-	-	-	-	-	(569)
Current Loans and Notes	-	33,542	-	-	-	2,597	242,969
Less Allowance	-	-	-	-	-	-	(470)
Noncurrent Loans and Notes	-	127,842	-	-	-	11,767	1,935,776
Less Allowance	-	(2,260)	-	-	-	(7,004)	(41,859)
Net Receivables	$ 26,063	$ 197,255	$ 150	$ 13,307	$ 2,978	$ 7,801	$ 2,432,871

E. INTERFUND ACCOUNTS AND TRANSFERS

DUE FROM OTHER FUNDS/DUE TO OTHER FUNDS

Interfund balances at June 30, 2003, consist of the following (expressed in thousands):

Due To General Fund From:	
Federal Fund	$ 31,982
Nonmajor Governmental Funds	5,768
All Others	289
Total Due To General Fund	$ 38,039

Due To Federal Fund From:	
General Fund	$ 1,698
Nonmajor Governmental Funds	6,935
All Others	1,765
Total Due To Federal Fund	$ 10,398

Due To Internal Service Funds From:	
Nonmajor Governmental Funds	$ 3,229
All Others	1,604
Total Due To Internal Service Funds	$ 4,833

Due To School Permanent Trust Fund From:	
Developmentally Disabled Fund	$ 5,786

This is an advance to the Developmentally Disabled Fund and is not expected to be repaid within one year.

Due To Nonmajor Governmental Funds From:	
General Fund	$ 13,424
Federal Fund	23,867
All Others	2,216
Total Due To Nonmajor Governmental Funds	$ 39,507

Due To Bank Of North Dakota From:	
General Fund	$ 3,075
Mill & Elevator	9,619
University System	12,872
Housing Finance	9,215
All Others	1,700
Total Due To Bank Of North Dakota	$ 36,481

The $12,872,000 from the University System and $9,619,000 from the Mill and Elevator are the result of loans made by the bank. These amounts are not expected to be repaid within one year.

Due To University System From:	
General Fund	$ 2,925
Federal Fund	2,347
All Others	1,836
Total Due To University System	$ 7,108

Due To All Other Funds From:	
All Other	$ 807

Included in this category are all other enterprise funds, component units, and fiduciary funds.

These balances are a result of a time lag between the dates that (1) services are provided and goods received or reimbursable expenditures occur, (2) the payments are made, (3) the transactions are entered into the accounting system, and (4) because of transactions occurring between funds with a fiscal year other than June 30, 2003.

A reconciliation of Due From's and Due To's is presented below (expressed in thousands):

Due From's		$ 142,959
Differences:		
Bank of ND/General Fund	25,473	
Housing Finance/Bank of ND	(5,469)	
Mill & Elevator/Bank of ND	2,020	
University System/Bank of ND	(1,620)	
Internal Service Funds/Bank of ND	982	
Job Service/Bank of ND	705	
Guaranteed Student Loan/General Fund	220	
Student Loan Trust/Bank of ND	(277)	
Developmentally Disabled Loan Fund/ School Permanent Trust Fund	(5,786)	
Developmentally Disabled Loan Fund/ Land and Minerals Trust	4,016	
Guaranteed Student Loan/Bank of ND	(271)	
Bank of ND/Building Authority Debt Service Fund	(36)	
Total Differences		19,957
Due To's		$ 162,916

In addition, the total Internal Receivables and Internal Payables on the Government-wide Statement of Net Assets does not equal due to activity occurring between funds that have different fiscal year ends.

INTERFUND TRANSFERS

A summary of interfund transfers for the fiscal year ended June 30, 2003, follows (expressed in thousands):

	Transfers In					
	General	Federal	Non-major Governmental	University System	Non-major Enterprise	Total
Transfers Out						
General	$ -	$ 61	$ 12,076	$ 215,770	$ 176	$ 228,083
Federal	-	-	37,126	-	-	37,126
School Permanent Trust Fund	-	-	29,811	1,664	-	31,475
Non-major Governmental	16,772	369	17,421	4,607	750	39,919
Bank of North Dakota	54,191	-	-	-	-	54,191
Housing Finance	-	-	24	-	-	24
University System	-	-	6,009	-	-	6,009
Non-major Enterprise	6,000	-	687	-	-	6,687
Total	$ 76,963	$ 430	$ 103,154	$ 222,041	$ 926	$ 403,514

(Transfers In do not agree to the statements due to the timing differences noted below.)

Transfers are used for the following purposes:

- Move general fund appropriation amounts to certain agencies.
- Move revenues from the fund that statute requires to collect them to the fund authorized to spend them.
- Move certain excess revenues collected in other funds to the general fund.
- Move receipts restricted for debt service from the funds collected to the debt service funds as payments become due, and move capital project funds paying the construction costs.

For the year ended June 30, 2003, transfers of excess profits of $48.7 million and $6 million were made from the Bank of North Dakota and North Dakota Mill and Elevator, respectively, to the General Fund.

A reconciliation of Transfers In and Transfers Out is presented below (expressed in thousands):

Transfers In		$ 399,430
Differences:		
General Fund/Bank of ND	5,450	
General Fund/Developmentally Disabled Loan Fund	(2,004)	
Human Services/ Developmentally Disabled Loan Fund	(213)	
Land & Minerals Trust/Developmentally Disabled Loan Fund	101	
Beginning Farmer/General Fund/PACE	750	
Total Differences		4,084
Transfers Out		$ 403,514

The above timing differences of $4,083,449 result from transactions between agencies that have different fiscal year ends. This difference is also the total net transfers on the Government-wide Statement of Activities.

F. CAPITAL ASSETS

PRIMARY GOVERNMENT:

The following is a summary of capital assets during the fiscal year (expressed in thousands):

Description	Balance July 1, 2002	Increases	Decreases	Balance June 30, 2003
Governmental Activities:				
Capital Assets Not Being Depreciated				
Land	$ 38,261	$ 1,714	$ (2)	$ 39,973
Construction in Progress	111,208	85,249	(18,607)	177,850
Total Capital Assets Not Being Depreciated	149,469	86,963	(18,609)	217,823
Capital Assets Being Depreciated:				
Buildings and Improvements	330,609	7,922	(535)	337,996
Equipment	177,663	24,094	(12,893)	188,864
Infrastructure	2,823,924	13,912	(3,199)	2,834,637
Total Capital Assets Being Depreciated	3,332,196	45,928	(16,627)	3,361,497
Less Accumulated Depreciation for:				
Buildings and Improvements	(133,324)	(7,768)	319	(140,773)
Equipment	(91,885)	(15,097)	9,556	(97,426)
Infrastructure	(2,056,829)	(122,731)	3,128	(2,176,432)
Total Accumulated Deprecation	(2,282,038)	(145,596)	13,003	(2,414,631)
Total Capital Assets Being Depreciated, Net	1,050,158	(99,668)	(3,624)	946,866
Governmental Activities Capital Assets, Net	$ 1,199,627	$ (12,705)	$ (22,233)	$ 1,164,689
Business-Type Activities:				
Capital Assets Not Being Depreciated				
Land	$ 15,849	$ 1,140	$ -	$ 16,989
Construction in Progress	18,236	30,137	(12,750)	35,623
Total Capital Assets Not Being Depreciated	34,085	31,277	(12,750)	52,612
Capital Assets Being Depreciated:				
Buildings and Improvements	606,909	19,384	(172)	626,121
Equipment	278,783	27,733	(9,987)	296,529
Infrastructure	127,044	8,838	(19)	135,863
Total Capital Assets Being Depreciated	1,012,736	55,955	(10,178)	1,058,513
Less Accumulated Depreciation for:				
Buildings and Improvements	(278,032)	(14,690)	150	(292,572)
Equipment	(173,507)	(18,009)	9.401	(182,115)
Infrastructure	(41,592)	(3,437)	19	(45,010)
Total Accumulated Deprecation	(493,131)	(36,136)	9,570	(519,697)
Total Capital Assets Being Depreciated, Net	519,605	19,819	(608)	538,816
Business-Type Activities Capital Assets, Net	$ 553,690	$ 51,096	$ (13,358)	$ 591,428

Description	Balance July 1, 2002	Increases	Decreases	Balance June 30, 2003
Component Units:				
Capital Assets Not Being Depreciated				
Land	$ 915	$ 25	$ -	$ 940
Construction in Progress	-	49	-	49
Total Capital Assets Not Being Depreciated	915	74	-	989
Capital Assets Being Depreciated:				
Equipment	5,542	2,587	(301)	7,828
Infrastructure	463	129	-	592
Total Capital Assets Being Depreciated	6,005	2,716	(301)	8,420
Less Accumulated Depreciation for:				
Equipment	(839)	(450)	30	(1,259)
Infrastructure	(59)	(4)	-	(63)
Total Accumulated Deprecation	(898)	(454)	30	(1,322)
Total Capital Assets Being Depreciated, Net	5,107	2,262	(271)	7,098
Business-Type Activities Capital Assets, Net	$ 6,022	$ 2,336	$ (271)	$ 8,087

Beginning capital asset balances were adjusted for certain reclassifications.

Depreciation expense was charged to functions/programs of the primary government as follows (expressed in thousands):

Governmental Activities:	
General Government	$ 1,132
Education	312
Health and Human Services	6,035
Regulatory	121
Public Safety & Corrections	4,605
Agriculture and Commerce	117
Natural Resources	3,383
Transportation	121,606
Total Governmental Activities Depreciation Expense	$ 137,311

Construction In Progress is composed of the following (expressed in thousands):

Project Description:

Governmental Activities	Amount Authorized	Amount Expended Through June 30, 2003	Balance Authorized
Corrections	$ 2,768	$ 75	$ 2,693
Historical Society	2,992	1,819	1,173
Adjutant General	11,975	11,138	837
Department of Transportation	191,322	152,439	38,883
Health Department	5,098	831	4,267
ConnectND Software System	35,100	11,548	23,552
Total Governmental Activities	$ 249,255	$ 177,850	$ 71,405

Business-Type Activities	Amount Authorized	Amount Expended Through June 30, 2003	Balance Authorized
University System	$ 90,510	$ 35,623	$ 54,887

Component Units	Amount Authorized	Amount Expended Through June 30, 2003	Balance Authorized
UND Aerospace Foundation	$ 2,000	$ 49	$ 1,951

G. OPERATING LEASES

PAYMENTS ON OPERATING LEASES

The State is obligated under certain leases accounted for as operating leases. Operating leases do not give rise to property rights or lease obligations, and therefore, the resulting expenditures are recognized as incurred. Lease expenditures for the year ended June 30, 2003, amounted to $8,949,844 for governmental activities and $4,905,731 for business-type activities.

Future minimum rental payments required under operating leases that have initial or remaining non-cancelable lease terms in excess of one year as of June 30, 2003, for all fund types are as follows (expressed in thousands):

Year Ending June 30	Governmental Activities	Business-type Activities
2004	$ 3,966	$ 5,474
2005	3,403	3,964
2006	930	1,921
2007	734	1,324
2008	527	502
2009-2013	1,019	119
2014-2018	133	7
Total Minimum Lease Payments	$ 10,712	$ 13,311

H. CAPITAL LEASES

The State is obligated under certain leases accounted for as capital leases. In the government-wide and proprietary fund statements, capital assets and a corresponding liability are recorded at the inception of the lease. The liability is reduced by payments of principal, with a portion of the payment allocated to interest expense. For capital leases in governmental funds, other financing sources and expenditures are recorded at lease inception. Lease payments are recorded as debt service expenditures.

The schedule below lists the future minimum lease payments under these capital leases and the present value of the net minimum lease payments at June 30, 2003 (expressed in thousands):

Year Ending June 30	Governmental Activities	Business-type Activities	Fiduciary Funds
2004	$ 1,143	$ 6,783	$ 19
2005	566	5,880	5
2006	437	5,087	1
2007	240	3,368	1
2008	6	3,060	-
2009-2013	-	9,089	-
2014-2018	-	3,026	-
2019-2023	-	3,023	-
2024-2028	-	2,414	-
Total Minimum Lease Payments	2,392	41,730	26
Less: Amount Representing Interest	(152)	(9,932)	(1)
Present Value of Future Minimum Lease Payments	$ 2,240	$ 31,798	$ 25

The historical costs of assets acquired under capital leases, and included as capital assets on the government-wide statement of net assets at June 30, 2003, is as follows (expressed in thousands):

	Governmental Activities	Business-Type Activities
Infrastructure	$ -	$ 1,160
Buildings	-	8,790
Equipment	6,033	22,937
Less: Accumulated Depreciation	(786)	(10,618)
Total	$ 5,247	$ 22,269

I. LONG-TERM DEBT

Debt authorized is generally limited by the state constitution. The Constitution of North Dakota provides that the State may issue or guarantee the payment of bonds, provided that all bonds in excess of $2 million are: (1) secured by first mortgage upon property and no further indebtedness may be incurred by the State unless evidenced by a bond issue; (2) authorized by law; (3) for a certain purpose; (4) provisioned to pay the interest semiannually; and (5) the principal is paid within 30 years. Additionally, the law authorizing the bond issue must specifically appropriate the provisions to the payment of the principal and interest of the bond.

BONDS AND NOTES PAYABLE

Bonds payable at June 30, 2003, consisted of bonds issued by the State and are accounted for by the respective state agencies in the government-wide financial statements that issued the bonds.

1. REVENUE BONDS

Current state statutes empower certain state agencies to issue bonds as part of their activities. This debt is not backed by the full faith and credit of the State of North Dakota. The principal and interest on such bonds shall be payable only from the applicable agency's program income.

Primary Government

Building Authority

The 2002 Series C Bonds have interest payable semiannually on February 15 and August 15 of each year. The 1998 Series A, B, and C Bonds, the 2000 Series A Bonds, the 2001 Series A Bonds, the 2002 Series A, B and D Bonds, and the 2003 Series A and B Bonds have interest payable semiannually on June 1 and December 1 of each year. The bonds of each series are subject to optional and/or extraordinary optional redemption prior to maturity upon the occurrence of certain events. The bonds are independently secured by the funds, certain mortgaged property, and all rights, titles, and interests of the Building Authority as lessor, including all basic rent payments, investment earnings on the funds and any other income derived by the Building Authority with respect to the lease.

All the bond agreements require the establishment and maintenance of reserve funds to be used for debt service payments if amounts in the bond funds are insufficient to make payments. Reserve funds are also required for any positive arbitrage due to the federal government.

On March 5, 2003, the Building Authority issued $15,145,000 Lease Revenue Refunding Bonds, 2003 Series A, with an average interest rate of 5.25 percent. The proceeds of the issue were used for a current refunding of 1993 Series A. The current refunding was undertaken to reduce total debt service payments over the next seven years by $1,119,000 and resulted in an economic gain of $1,001,000. At June 30, 2003, none of the 1993 Series A Bonds were outstanding.

On July 11, 2002, the Building Authority issued $10,665,000 Lease Revenue Refunding Bonds, 2002 Series C, with an average interest rate of 3.92 percent. The proceeds of the issue were used for a current refunding of 1993 Series B. The current refunding was undertaken to reduce total debt service payments over the next twelve years by $904,000 and resulted in an economic gain of $801,000. At June 30, 2003, none of the 1993 Series B Bonds were outstanding.

Lignite Research

The Industrial Commission is authorized by NDCC 54-17.5 (the "Act") to provide funds and financial assistance to qualified persons for projects related to the clean use of lignite in order to insure economic growth, maintain and enhance development of North Dakota lignite and general welfare in North Dakota. The Industrial Commission is authorized and has established a program to issue and sell North Dakota Lignite Research Bonds to provide funds for the purpose stated in the Act. As of June 30, 2003, there were $16 million of authorized and $8,825,000 issued through the Lignite Research Fund. The Commission's intention is not to issue any bonds in the future.

The 1995 Series A Bonds have interest payable on May 15 and November 15 of each year. The bonds maturing on November 15, 2005, are subject to mandatory redemption equal to 100% of par plus accrued interest at various amounts in 2004 and 2005. The bonds are also subject to extraordinary redemption upon the occurrence of certain events. Proceeds of the bonds are being used to provide a grant for funding of construction of an anhydrous ammonia plant.

Water Commission

The Water Commission is authorized by Senate Bill No. 2188 to issue bonds to finance various flood control and pipeline projects throughout the state of North Dakota. Authorized and unissued bonds totaled $77,518,201 at June 30, 2003. Water development projects that will benefit from the financing are as follows:

Grand Forks	$ 29,000,000
Devils Lake	20,000,000
Statewide Water Development Projects	20,000,000
Wahpeton	3,500,000
Grafton	4,800,000
Southwest Pipeline Project	218,201

Interest is payable semiannually on January 1 and July 1 of each year for the Series 1997 A and Series 2000 A Term Bonds, March 1 and September 1 of each year for the Series 1998 A Bonds, and February 1 and August 1 for the Series 2000 A Serial Bonds. Interest is payable annually on July 1 of each year for all other series bonds. The bonds of each series are subject to optional and/or extraordinary optional redemption prior to maturity at the option of the Water Commission or the occurrence of certain events. All redemption prices are at par plus accrued interest.

State Fair

Interest on the 2001 Series Bonds is payable semi-annually on June 1 and December 1 of each year. The bonds maturing on December 1, 2011, are not subject to optional redemption prior to maturity, except under extraordinary circumstances.

The State Fair issued $2,250,000 of refunding revenue bonds during the fiscal year. The refunding was undertaken to reduce total future debt service payments. The transaction resulted in an economic gain of $90,107 and a reduction of $117,738 in future debt service payments.

Student Loan Trust

The Series C Bonds are zero coupon bonds with interest accruing monthly and the face value payable at maturity. These bonds were issued to refund a portion of the 1979 Series A and 1984 Series A Bonds and to provide funds for the acquisition of student loans from the Bank of North Dakota.

The proceeds of the 1996 Series A and B Bonds were used to refund the July 1, 1996, principal maturity of the 1988 Series A and B, 1989 Series B, and 1992 Series A Bonds. Interest is payable semiannually on January 1 and July 1 of each year. The 1996 Series A and B Bonds are variable rate bonds initially issued as auction rate certificates. The rate of interest will be determined each 35-day period. The maximum rate of interest is 12% per annum. Details of the terms and provisions of the auction rate bonds are outlined in Schedule A of the First Supplemental Resolution to the State of North Dakota Student Loan Revenue Bonds Second General Bond Resolution. Under certain conditions, the Industrial Commission may call for early redemption of the 1996 Series A and B Bonds at 100% of the principal amount plus accrued interest to date of redemption.

The proceeds of the 1996 Series D Bonds were used to finance the acquisition of supplemental loans. These bonds are subject to redemption prior to maturity at the option of the Industrial Commission on July 1, 2006, at 100% of the principal amount plus accrued interest to date of redemption.

Interest is payable semiannually on January 1 and July 1 of each year for the 1997 Series A and B Bonds.

The proceeds of the Series 1997 Bonds were used to refund the current maturities of the 1988 Series A and B, 1989 Series B and 1992 Series A Bonds on July 1, 1997, and to current refund and redeem the remainder of the 1988 Series A Bonds at a redemption price of 103% on August 1, 1997.

The 1997 Series A and B Bonds are variable rate bonds initially issued as auction rate certificates. The rate of interest will be determined each 35-day period. The maximum rate of interest is 12% per annum. Details of the terms and provisions of the auction rate bonds are outlined in Schedule A of the Second Supplemental Resolution to the State of North Dakota Student Loan Revenue Bonds Second General Bond Resolution. Under certain conditions, the Industrial Commission may call for an early redemption of the 1997 Series A and B Bonds at a redemption price equal to 100% of the principal amount plus accrued interest to date of redemption. The 1997 Series B Bonds are subject to mandatory redemption prior to maturity at a redemption price equal to 100% of the principal amount of $11,600,000, plus accrued interest, on January 1, 2006. At June 30, 2003, none of the 1997 Series A Bonds are outstanding.

Interest on the 1998 Series B Bonds is payable semiannually on June 1 and December 1 of each year. The proceeds of the Series 1998 Bonds were used to refund the current maturities of the 1988 Series B Bonds and the 1989 Series B Bonds on July 1, 1998, and to call $32,670,000 of the 1989 Series A and B Bonds at a redemption price of 103% on August 1, 1998. The 1998 Series B Bonds are variable rate bonds initially issued as auction rate certificates. The rate of interest will be determined each 35-day period. The maximum rate of interest is 12% per annum. Details of the terms and provisions of the auction rate bonds are outlined in Schedule A of the Second Supplemental Resolution to the State of North Dakota Student Loan Revenue Bonds Second General Bond Resolution. Under certain conditions, the Industrial Commission may call for early

redemption of the 1998 Series B Bonds at a redemption price equal to 100% of the principal amount plus accrued interest to date of redemption.

The 2000 Series A Bonds are variable rate bonds initially issued as auction rate certificates. Interest is payable semiannually on June 1 and December 1 of each year. The maximum rate of interest is 12% per annum. The proceeds of the Series 2000 Bonds were used to provide funds for the acquisition of student loans from the Bank of North Dakota. Details of the terms and provisions of the auction rate bonds are outlined in Schedule A of the Second Supplemental Resolution. The 2000 Series B Bonds are fixed rate bonds. Under certain conditions, the Industrial Commission may call for early redemption of the 2000 Series A and B Bonds at a redemption price equal to 100% of the principal amount plus accrued interest to date of redemption.

Housing Finance

Housing Finance Bonds were issued to provide financing to purchase mortgage loans to finance multifamily housing projects. The bonds are the direct obligation of the Housing Finance Agency and are secured by the mortgage loans purchased under the applicable resolutions; the revenues, prepayments, insurance and foreclosure proceeds received related to the mortgage loans; and certain funds and accounts established pursuant to the applicable bond resolution. The term bonds of all bond series have mandatory sinking fund requirements starting in 1998.

Component Units

Municipal Bond Bank

The bonds of the Municipal Bond Bank were issued to provide financing to purchase municipal securities in order to provide local political subdivisions with funds to finance local projects. The bonds are direct obligations of the Municipal Bond Bank and are secured by municipal securities purchased under the applicable resolutions, interest earnings and certain accounts established pursuant to the applicable bond resolutions.

Revenue Bonds outstanding (expressed in thousands):

Fund Type/Fund	Maturities	Interest Rates	Balance 6/30/03
Primary Government			
Governmental:			
Building Authority	2004-2023	2.00 – 5.60	$ 97,117
Lignite Research	2004-2006	5.00 – 5.75	3,755
Water Commission	2004-2042	2.50 – 6.00	45,923
Proprietary:			
State Fair	2004-2011	5.20 – 6.00	2,125
Student Loan Trust	2004-2036	0.99 – 7.25	126,058
Housing Finance:			
Multi-Family	2004-2024	4.90 – 6.85	10,292
Single-Family	2004-2035	1.65 – 7.00	660,567
University System:			
VCSU—Valley City	2004-2011	4.30 – 7.25	495
Williston State College	2004-2019	3.00 – 4.75	1,476
Lake Region State College	2004-2013	5.90	605
UND—Grand Forks	2004-2021	3.00 – 5.00	26,065
NDSU—Fargo	2004-2032	1.70 – 5.60	48,153
NDSCS—Wahpeton	2004-2016	4.00 – 5.50	2,717
MiSU–Minot	2004-2013	3.00 – 4.75	4,936
MiSU—Bottineau	2004-2012	4.30 – 6.90	211
MaSU—Mayville	2004-2009	3.00 – 4.80	618
DSU—Dickinson	2004-2019	4.30 – 5.90	1,277
BSC—Bismarck	2004-2009	4.00 – 7.40	590
Total Revenue Bonds Payable— Primary Government			$ 1,032,980
Component Units			
Proprietary:			
Municipal Bond Bank	2004-2028	2.70 – 10.00	$ 138,903

Debt service requirements to maturity on revenue bond issues for the fiscal years ending June 30 are summarized below (expressed in thousands):

Primary Government:

Governmental Activities

Fiscal Year	Principal	Interest
2004	$ 7,746	$ 6,933
2005	7,958	6,431
2006	10,070	6,209
2007	8,457	5,773
2008	9,658	5,364
2009-2013	39,881	20,350
2014-2018	33,269	11,629
2019-2023	22,924	4,121
2024-2028	3,226	1,187
2029-2033	1,291	626
2034-2038	1,642	316
2039-2043	564	39
Bond Premium	1,051	(1,051)
Deferred Amount On Refunding	(942)	942
Total	$ 146,795	$ 68,869

Business-type Activities

Fiscal Year	Principal	Interest
2004	$ 16,832	$ 40,222
2005	18,681	40,136
2006	63,558	39,352
2007	20,586	38,064
2008	20,986	37,184
2009-2013	115,250	170,203
2014-2018	119,040	139,490
2019-2023	127,606	106,936
2024-2028	196,270	63,611
2029-2033	110,715	18,600
2034-2038	77,569	2,203
Less Bond Discount	(316)	316
Deferred Amount On Refinancing	(191)	191
Accrued Interest At Maturity On Zero Coupon Bonds	(401)	401
Total	$ 886,185	$ 696,909

Component Units

Fiscal Year	Principal	Interest
2004	$ 7,380	$ 7,361
2005	7,815	6,972
2006	8,130	6,526
2007	8,390	6,070
2008	8,695	5,593
2009-2013	44,650	20,955
2014-2018	39,615	9,752
2019-2023	14,245	1,818
2024-2028	340	61
2029-2033	70	2
Less Bond Discount	(427)	427
Total	$ 138,903	$ 65,537

2. NOTES PAYABLE

The following is a schedule of notes payable outstanding at June 30, 2003 (expressed in thousands):

Fund Type/Fund	Maturities	Interest Rates	Balance 6/30/03
Primary Government			
Governmental:			
Job Service North Dakota	2006	7.90-9.00	$ 989
Information Technology Department	2004	4.18-6.64	4,682
Proprietary:			
Bank of North Dakota	2004-2022	3.00-7.35	421,065
University Systems	2004-2013	4.87-8.00	6,618
Component Units			
Municipal Bond Bank (1)	2019	2.84	7,502
UND Aerospace Foundation	2004-2009	3.50-6.00	4,319

(1) The Municipal Bond Bank note payable is to the Bank of North Dakota, part of the primary government.

Debt service requirements to maturity for notes payable for the fiscal years ending June 30 are summarized below (expressed in thousands):

Primary Government:

Governmental Activities

Fiscal Year	Principal	Interest
2004	$ 5,020	$ 234
2005	318	28
2006	333	12
2007	-	-
2008	-	-
Total	$ 5,671	$ 274

Business-type Activities

Fiscal Year	Principal	Interest
2004	$ 60,939	$ 22,204
2005	16,775	21,621
2006	65,212	20,742
2007	24,865	18,433
2008	16,310	18,074
2009-2013	142,111	72,620
2014-2018	41,871	37,712
2019-2023	59,600	6,602
Total	$ 427,683	$ 218,008

Component Units

Fiscal Year	Principal	Interest
2004	$ 940	$ 389
2005	493	340
2006	512	320
2007	748	300
2008	1,856	260
2009-2013	983	920
2014-2018	4,697	566
2019-2023	1,592	49
Total	$ 11,821	$ 3,144

Changes in General Long-Term Liabilities

Changes in Long-Term Liabilities for the year ended June 30, 2003, are summarized as follows (expressed in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental Activities:					
Notes Payable	$ 507	$ 6,279	$ (1,115)	$ 5,671	$ 5,020
Bonds Payable	140,161	56,812	(50,178)	146,795	7,746
Capital Leases Payable	1,461	1,776	(997)	2,240	1,085
Intergovernmental Payable	591	35	(9)	617	21
Compensated Absences	27,306	19,676	(18,600)	28,382	1,306
Claims/Judgments Payable	5,246	3,273	(2,656)	5,863	2,214
Total Long-Term Liabilities	$ 175,272	$ 87,851	$ (73,555)	$ 189,568	$ 17,392
Business-Type Activities:					
Notes Payable	$ 403,860	$ 50,763	$ (26,940)	$ 427,683	$ 60,939
Bonds Payable	965,243	138,209	(217,267)	886,185	16,832
Capital Leases Payable	30,342	16,333	(14,877)	31,798	5,325
Intergovernmental Payable	22,388	13,936	(23,714)	12,610	2,009
Compensated Absences	17,152	2,750	(1,023)	18,879	976
Claims/Judgments Payable	506,075	226,306	(153,064)	579,317	81,630
Total Long-Term Liabilities	$ 1,945,060	$ 448,297	$ (436,885)	$ 1,956,472	$ 167,711

Component Units:					
Notes Payable	$ 11,369	$ 2,802	$ (2,350)	$ 11,821	$ 940
Bonds Payable	144,230	1,700	(7,027)	138,903	7,380
Intergovernmental Payable	1,239	227	(61)	1,405	826
Total Long-Term Liabilities	$ 156,838	$ 4,729	$ (9,438)	$ 152,129	$ 9,146

Internal service funds predominately serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At year end, $1,193,310 of internal service fund compensated absences and $4,329,018 of claims and judgments are included in the above amounts. Other governmental activities compensated absences generally have been liquidated by the General Fund (52%), the Highway Fund (17%), the Federal Fund (21%), and other various funds. Other governmental activities claims and judgments are generally liquidated by the Insurance Regulatory Trust Fund (78%), Highway Fund (21%), and the Petroleum Release Compensation Fund (1%).

3. DEFEASED DEBT

Primary Government

Building Authority

On July 18, 2002, the Building Authority issued $16,425,000 Lease Revenue Refunding Bonds, 2002 Series D. The proceeds of the issue were used for an advance refunding of 1995 Series A. The net proceeds were deposited in an irrevocable trust with an escrow agent to provide for all the future debt service payments on the refunded bonds. The reacquisition price exceeded the net carrying amount of the old debt by $999,000. This amount is netted against the new debt and amortized over the life of the refunded debt, which is the same as the life of the new debt issued. The current refunding was undertaken to reduce total debt service payments over the next fifteen years by $561,000 and resulted in an economic gain of $478,000. As of June 30, 2003, $14,550,000 of bonds outstanding is considered defeased and the liability for those bonds is not reflected on the State's financial statements.

Housing Finance

Previous to July 1, 1999, Housing Finance defeased certain general obligation bonds by placing bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the State's financial statements. At June 30, 2003, $7,890,000 of bonds outstanding are considered defeased.

University System

Mayville State University

On July 1, 1998, Mayville State University issued $695,000 of Student Center Refunding Revenue Bonds (Series 1998) with an average interest rate of 4.40%. These bonds were used to advance refund $640,000 of outstanding 1989 Student Center Revenue Bonds (with an average interest rate of 7.40%). The net proceeds of $666,673 (after payment of $28,327 in underwriting fees, insurance, and other issuance costs) were used to purchase U.S. Government Securities. Those securities are deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1989 Student Center Revenue Bonds. As a result, the 1989 bonds are considered to be defeased and the liability for those bonds has been removed from the statement of net assets. The principal amount outstanding as of June 30, 2003, of the original bonds refunded by the advance refunding of 1998 totaled $460,000.

Minot State University

On June 2, 1992, Minot State University placed the proceeds of the $2,620,000 Student Housing Revenue Refunding Bonds of 1992 in an irrevocable trust with an escrow agent to provide for future debt service payments of the existing revenue bonds. The purpose of the 1992 Bonds was to refund in advance of maturity the 1966 Student Union Construction and Refunding Bonds and the 1985 Student Housing Revenue Bonds. As a result, the trust account assets and the liabilities for the defeased bonds are not included in the State's financial statements.

The principal amount outstanding as of June 30, 2003, of the original bonds refunded (considered defeased) by the advance refunding total $150,000.

University of North Dakota

On January 1, 1998, the University of North Dakota issued $22.6 million of Housing and Auxiliary Facilities Improvement and Refunding Revenue Bonds (Series 1998 A) with an average interest rate of 4.70%. These bonds were used to advance refund $20.4 million of outstanding 1988 Series A and B Housing and Auxiliary Facilities Refunding Revenue Bonds (with an average interest rate of 7.50%) and to provide $450,000 for parking lot construction at the Rural Technology Center. The net proceeds of $21.6 million (after payment of $387,000 in underwriting fees, insurance, and other issuance costs) were used to purchase U.S.

Government Securities. These securities are deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1988 Series A and B Bonds. As a result, the 1988 Series A and B Bonds are considered to be defeased and the liability for those bonds has been removed from the statement of net assets. The principal amount outstanding as of June 30, 2003, of the original bonds refunded by the advanced refunding of 1998 totaled $15,995,000.

Housing and Auxiliary Facilities Revenue Bonds Series I and Series J, which were included in the advance refunding of 1984 as described above, were originally issued in 1975 for the purpose of advance refunding certain outstanding bonds of the university. The principal amount outstanding as of June 30, 2003, of the original bonds refunded by the advance refunding of 1975 totaled $685,000.

All of the refunded bonds are considered "defeased" and have debt service needs covered by U.S. Government securities which are held in a special trust administered by the Bank of North Dakota. As such, neither the assets of the trust nor the related bonds payable are included in the accompanying statement of net assets.

Certificates of Participation totaling $20,450,000 were originally issued by UND in 1990 to: (1) reimburse the University for certain expenses incurred for capital improvements; (2) refinance the costs of certain equipment; and (3) finance the acquisition of certain equipment and real property, to fund a reserve, and to pay the costs of issuance. Subsequent to this issuance, the Legislative Assembly, in House Bill 1003, directed the University to retire those certificates originally issued for the acquisition of certain equipment and real property and to fund a reserve. Therefore, in December 1991, $6,025,000 in certificates were defeased. The principal amount outstanding as of June 30, 2003, of the defeased certificates totals $2,585,000.

North Dakota State University

The North Dakota State University, pursuant to resolutions adopted by the Board of Higher Education on November 7, 1985, issued $4,833,813 of Housing and Auxiliary Facilities Revenue Refunding Bonds (Series 1985) on December 30, 1985. The purpose of issuing Series 1985 bonds was to refund in advance of maturity the outstanding advanced refunded bonds, which consisted of all bonds outstanding as of December 30, 1985, totaling $7,675,000. The Series 1985 Bonds do not pay the holder interest but were sold at a discount so that principal payments will yield a return to maturity from 8.20% to 9.70%. All of the refunded bonds are considered "defeased" in accordance with Financial Accounting Standards Board Statement No. 76. As such, neither the assets of the trust nor the related bonds payable are included in the accompanying statement of net assets. The principal amount outstanding as of June 30, 2003, of the original bonds refunded by the advance refunding total $1,150,000.

The University, pursuant to resolutions adopted by the Board of Higher Education on February 15, 1996, issued $1,175,000 of Housing and Auxiliary Facilities Revenue Bonds (Series 1996 A) on March 13, 1996. The purpose of issuing the Series 1996 A Bonds was to advance refund a portion ($980,000) of the Series 1988 Housing and Auxiliary Facilities Revenue Bonds. The portion of the Series 1988 Bonds advance refunded represents the bonds maturing April 1, 2004 through 2008. The proceeds of the Series 1996 A issue were irrevocably deposited in an escrow account to provide for all debt service payments after the April 1, 2003, crossover date. The Series 1988 Bonds are callable at the option of the Board on or after April 1, 2006. The portion of the Series 1988 Bonds that are advance refunded are considered "defeased" in accordance with Financial Accounting Standards Board Statement No. 76. As such, neither the assets of the escrow account nor the related bonds payable (i.e., the advance refunded portion of the Series 1988 Bonds) are included in the accompanying statement of net assets. As of June 30, 2003, the principal amount outstanding of the advance refunded portion of the Series 1988 Bonds is $980,000. As of June 30, 2003, the portion of the Series 1988 Bonds that were not advance refunded by the Series 1996 A Bonds have been paid in full.

On January 7, 2003, the University issued $5,990,000 of Housing and Auxiliary Facilities Revenue Refunding Bonds (Series 2003). The purpose of issuing these bonds was to advance refund a portion of the Series 1992 Housing and Auxiliary Facilities Revenue Refunding Bonds. Principal installments on the new bonds range from $600,000 to $750,000 through April 1, 2012, and interest rates on the bonds range from 1.7% to 3.95%. The portion of the Series 1992 Bonds advanced refunded includes the bonds maturing from 2004 through 2012. The University advance refunded the bonds to reduce its total debt service payments over the next nine years by approximately $1.67 million and to obtain an economic gain (difference of the present values of the debt service payments on the old and new debt) to $1.3 million. The proceeds of the Series 2003 bond issue were irrevocably deposited in an escrow account to provide for all future debt service payments. In accordance with Financial Accounting Standards Board Statement No. 76, the portions of the Series 1992 bonds that are advance refunded are considered defeased. As such, neither the assets of the escrow account nor the related bonds payable are included in the State's financial statements. As of June 30, 2003, the principal amount outstanding of the advance refunded portion of the Series 1992 bonds is $5,990,000.

North Dakota State College of Science

On June 20, 2001, North Dakota State College of Science issued $2,785,000 of Housing and Auxiliary Facilities Improvement and Refunding Revenue Bonds (Series 2001) with an average interest rate of 4.92%.

These bonds were used to (1) refund, defease and discharge outstanding North Dakota State School of Science Married Student Housing Revenue Bonds 1970 at 7.0% and 7.25%, Dormitory Revenue Bonds of 1970 at 7.25% and Dormitory Revenue Bonds of 1972 at 6.3%. Funds were deposited in a trust account with an escrow agent to provide for all future debt service payments for the above bonds; (2) finance the cost of the construction of the parking lot and related improvements at the College; and (3) to pay certain costs associated with the issuance of the Series 2001 bonds.

As a result of this issue, trust account assets and liabilities for the defeased bonds are not included in the State's financial statements. The project costs for the parking lot and related improvements were set at $1,000,000. The principal amount outstanding as of June 30, 2003, of the original bonds refunded is $1,485,000.

Component Units

Municipal Bond Bank Bonds

On August 20, 2001, the Bond Bank issued $23,675,000 of revenue bonds with an average interest rate of 4.48 percent. The net proceeds were deposited in an irrevocable trust with an escrow agent to provide for all the future debt service payments on the refunded bonds. As of December 31, 2002, $13,010,000 of bonds outstanding is considered defeased, and the liability has been removed from the balance sheet. The reacquisition price exceeded the net carrying amount of the old debt by $1,029,000. This amount is being netted against the new debt and amortized over the life of the refunded debt, which is the same as the life of the new debt issued. This advance refunding was undertaken to reduce total debt service payments over the next fifteen years by $1,709,000 and resulted in an economic gain of $714,000.

J. ARBITRAGE REBATE PAYABLE

Arbitrage as it applies to government financing refers to the ability of state governments to obtain funds at a tax-exempt rate of interest and to then invest those funds in investments which earn a higher yield, resulting in a profit to the issuer.

The arbitrage rebate rules require that any earnings from the investment of the tax-exempt bond proceeds which exceed the yield on the bonds be remitted to the federal government.

The State has an arbitrage rebate payable to the federal government of approximately $7,999,021 at June 30, 2003. These amounts are reported in the Government-wide and Proprietary Fund Type financial statements as an intergovernmental payable.

NOTE 4 - DEFICIT FUND EQUITY

RETIREMENT AND INVESTMENT OFFICE (RIO)

At June 30, 2003, RIO had a deficit of $24,594. It is expected that charges for services during fiscal year 2004 will reduce the deficit.

COMPREHENSIVE HEALTH ASSOCIATION OF NORTH DAKOTA (CHAND)

At December 31, 2002, CHAND had a deficit of $315,922. Additional member assessments are expected to cover the deficit.

NOTE 5 - RETIREMENT SYSTEMS

A. DESCRIPTION OF PLANS

The State of North Dakota administers four major retirement systems: North Dakota Public Employees' Retirement System, North Dakota Highway Patrolmen's Retirement System, Retirement Plan for the Employees of Job Service North Dakota and the Teachers' Fund for Retirement. The State also administers the North Dakota Defined Contribution Retirement Plan, which was established January 1, 2000. These retirement systems have implemented Governmental Accounting Standards Boards Statements No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, and Statement No. 27, Accounting for Pensions by State and Local Governmental Employers. Certain state employees may also participate in a privately administered retirement system: Teachers' Insurance Annuity Association. The following is a brief description of each plan. More detailed information can be found in the plan agreements and the related legislation.

NORTH DAKOTA PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS)

The North Dakota Public Employees' Retirement System (PERS) is a cost-sharing multiple-employer defined benefit pension plan covering substantially all employees of the State of North Dakota, its agencies, and various participating political subdivisions (Main System). It also covers Supreme and district court judges and the National Guard Security Officers and Firefighters. It is not subject to the provisions of the Employee Retirement Security Act of 1974. PERS issues a publicly available financial report that may be obtained by writing to North Dakota Public Employees Retirement System, 400 East Broadway, Suite 505, Bismarck, North Dakota 58501.

At June 30, 2003, the number of participating local political subdivisions in PERS was :

Cities and Park Districts	65
Counties	43
School Districts	95
Other	57
Total Participating Local Political Subdivisions	260

Death and disability benefits are set by statute. If an active employee dies with less than five years (three years of service for the Main System and National Guard) of credited service, a death benefit equal to the value of the employee's accumulated contributions, plus interest, is paid to the employee's beneficiary. If the employee has earned more than three years of service for the Main System and National Guard, the surviving spouse will be entitled to a single payment refund, life-time monthly payments in an amount equal to 50% of the employee's accrued normal retirement benefit, or 60 monthly payments equal to the employee's accrued normal retirement benefit calculated as if the employee were age 65 the day before death occurred or monthly payments in an amount equal to the employees' accrued 100% joint and survivor retirement benefit if the member had reached normal retirement age prior to date of death. If the surviving spouse dies before the employee's accumulated pension benefits are paid, the balance will be payable to the surviving spouse's designated beneficiary.

For judges only, the death benefit is changed to the greater of (i) lump sum payment of accumulated contributions, and (ii) 100% of the member's accrued benefit (not reduced on account of age), payable for the spouse's lifetime.

Eligible employees who become totally disabled after a minimum of 180 days of service receive monthly disability benefits that are equal to 25% of their final average salary with a minimum benefit of $100. To qualify under this section, the employee has to become disabled during the period of eligible employment and apply for benefits within one year of termination. The definition for "disabled" is set by the Board in the North Dakota Administrative Code.

For Judges only, the disability benefit formula is changed to 70% of final average salary minus social security and workers compensation benefits.

Pension benefits are set by statute. The System has no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. (Effective August 1, 2001, there is an addition of ad hoc post-retirement increases for retirees, disableds, and beneficiaries equal to 6% for the Main System and National Guard, and two ad hoc post-retirement increases for retirees and beneficiaries for judges equal to 2% beginning January 1, 2002, and January 1, 2003.) Employees are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equals or exceeds 85 or at normal retirement age (65), equal to 2.00% of their final average salary for each year of service. The plan permits early retirement at ages 55-64, with three or more years of service for the Main System and National Guard, and five or more years of service for the Supreme and district court judges. The monthly pension benefit for Supreme and district court judges at normal retirement age (65) is equal to 3.5% of final average salary multiplied by the first 10 years of service, plus 2.80% of final average salary times the second 10 years of service, plus 1.25% of final average salary times years of service in excess of 20 years. The judicial retirement formula is only applied to eligible judicial service. Non-judicial service benefits are calculated using the 2.00% multiplier. The monthly pension benefit for security officers or firefighters at normal retirement age (55) is equal to 2.00% of the final average salary for each year of service with three years served as a security officer or firefighter.

Employees may elect to receive the pension benefits in the form of a single life, joint and survivor, level social security or term-certain annuity. Employees may elect to receive the value of their accumulated contributions, plus interest, as a lump sum distribution upon retirement or termination, or they may elect to receive their benefits in the form of an annuity. For each member electing an annuity, total payment will not be less than the employee's accumulated contributions plus interest.

The System is funded by employee contributions (set by statute) of 4% of regular compensation, with the exception of Supreme and district court judges' contributions, which are established at 5% of total compensation. During the 1983-1985 biennium, the State implemented the employer pickup provision of the IRS code, whereby a portion or all of the required employee contributions are made by the employer. The State is paying the full employee contribution with the exception of the Supreme and district court judges, in which the State is paying 4 of the 5% contribution. Some of the political subdivisions are paying all or part of the employee contributions. Employer contributions of 4.12% of covered compensation are set by statute. The employer contribution rate for the Supreme and district court judges is also set by statute at 14.52%, and the contribution rate for the National Guard security officers and firefighters is set by the Board at 8.33%. The required contributions are determined using an entry age normal actuarial funding method.

Except for Supreme and district court judges, the employees' account balance includes the vested employer contributions equal to the employee's contributions to an eligible deferred compensation plan.

The minimum member contribution is $25, and the maximum may not exceed certain parameters based upon years of service.

The North Dakota Retirement Board was created by the State Legislature and is the governing authority of

PERS. Benefit and contribution provisions are administered in accordance with chapter 54-52 of the North Dakota Century Code.

NORTH DAKOTA HIGHWAY PATROLMEN'S RETIREMENT SYSTEM (NDHPRS)

The North Dakota Highway Patrolmen's Retirement System is a single-employer defined benefit pension plan covering substantially all sworn officers of the Highway Patrol of the State of North Dakota. It is not subject to the provisions of the Employee Retirement Income Security Act of 1974. NDHPRS issues a publicly available financial report that may be obtained by writing to North Dakota Public Employees Retirement System, 400 East Broadway, Suite 505, Bismarck, North Dakota 58501.

Death and disability benefits are set by statute. If an active employee dies with less than 10 years of credited service, a death benefit equal to the value of the employee's accumulated contributions, plus interest, is paid to the employee's beneficiary. If the employee has earned more than 10 years of credited service, the surviving spouse, if any, will be entitled to a single payment refund, life-time monthly payments in an amount equal to 50 percent of the employee's accrued normal retirement benefit, or 60 monthly payments equal to the employee's accrued normal retirement benefit calculated as if the employee were age 55 the day before death occurred. If the surviving spouse dies before the employee's accumulated pension benefits are paid, the balance will be payable to any designated beneficiary.

Eligible employees who become totally disabled after a minimum of 180 days service receive monthly disability benefits that are up to 70 percent of their final average salary, reduced by workers compensation with a minimum benefit of $100. To qualify under this section, the employee must meet the criteria established by the Retirement Board for being considered totally disabled and apply for benefits within one year of termination.

Pension benefits are set by statute. The System has no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Employees are entitled to unreduced pension benefits after a minimum of 10 years of service upon attainment of age 55 or when the sum of age and years of credited service equals or exceeds 80. The annual pension benefit is equal to a percentage of average monthly salary using the highest 36 consecutive months out of the last 120 months of service. The percentage is equal to the sum of the first 25 years of service multiplied by 3.60% and 1.75% multiplied by years of service in excess of 25, if any. The plan permits early retirement at ages 50-54, with ten or more years of service.

The System is funded by employee contributions of 10.30% (of which the State is paying 4%) of total compensation and an employer contribution of 16.70%. The required contributions are determined using an entry age normal cost method. The North Dakota Retirement Board was created by the State Legislature and is the governing authority of NDHPRS. Benefit and contribution provisions are administered in accordance with chapter 39-03 of the North Dakota Century Code.

REFUNDS OF MEMBER CONTRIBUTIONS

Upon termination, if an employee is not vested (is not 65 or does not have five years of service [three years of service for the Main System and National Guard] credited for PERS, or is not 60 or does not have ten years of service credited for NDHPRS), they will receive the accumulated employee contributions plus interest. If an employee has vested, they have the option of applying for a refund or can remain as a terminated vested participant. If an employee of the PERS terminated and withdrew their accumulated employee contribution and is subsequently re-employed, they have the option of repurchasing their prior service.

RETIREMENT PLAN FOR THE EMPLOYEES OF JOB SERVICE NORTH DAKOTA (JSND)

The retirement plan for employees of Job Service North Dakota is a single-employer defined benefit public employee retirement plan. Previous to September 30, 1993, this plan was funded with the Travelers Insurance Company under Group Annuity Contract GR-600. Effective October 1, 1993, the deposit administration fund was terminated and Group Guaranteed Benefit Contract GR-16312 was in effect. Job Service North Dakota issues a publicly available financial report that may be obtained by writing to Job Service North Dakota, 1000 East Divide Avenue, Bismarck, North Dakota 58501.

Participation in the plan is limited to employees participating in the plan as of September 30, 1980. Employees were vested in the program after the completion of five years of credited service.

The plan provides retirement, disability and death benefits. If the death of a participant occurs prior to their annuity starting date, the surviving spouse who has been married at least two years prior to the participant's death or, if married less than two years is a parent of a child of this marriage, then the spouse shall receive monthly benefits. The amount is the greater of the benefit had the participant retired on the day before they died and elected the Contingent Annuitant Option with 55% of their retirement benefit continued to their spouse or 55% of the smaller of 40% of the deceased participant's average monthly earnings or the deceased participant's normal retirement benefit obtained by increasing their credited service by the period of time between their date of death, and the date they would have attained age 60. Upon remarriage of the surviving spouse before age 60, the death benefit will cease.

If a participant becomes totally disabled, they will be eligible for a monthly disability benefit which shall be equal to the greater of 40% of the participant's average

annual earnings or the accrued benefit determined as of their date of disability.

Employees are entitled to annual pension benefits beginning at normal retirement age (65). Employees may elect an optional retirement eligibility at age 62 with 5 years of credited service, at age 60 with 20 years of credited service, or at age 55 with 30 years of credited service. Pension benefits are calculated based on the final average earnings (basic monthly earnings averaged over the highest three consecutive years of basic earnings) of the employee multiplied by the sum of:

- 1.5% times years of credited service up to 5 plus;
- 1.75% times years of credited service between 6 and 10 plus;
- 2.0% times years of credited service in excess of 10.

The System is funded by employee contributions of 7% of retirement wages (of which 4% is paid by the employer in lieu of salary increases). The required employer contributions are determined using an entry age actuarial funding method. Benefit and contribution provisions of the JSND are administered in accordance with chapter 52-11 of the North Dakota Century Code.

TEACHERS' FUND FOR RETIREMENT (TFFR)

The North Dakota Teachers' Fund for Retirement is a cost-sharing multiple-employer defined benefit pension plan covering employees for all public and certain college, State and non-public teachers of the State who meet certain requirements of age, period of productive service and employment. TFFR provides for pension, survivor and disability benefits. Teachers' Fund for Retirement issues a publicly available financial report that may be obtained by writing to the Retirement and Investment Office, 1930 Burnt Boat Drive, Bismarck, North Dakota 58503.

At June 30, 2003, the number of participating employer units in TFFR was:

Type	Number
Special Education Units	19
Vocational Education Units	4
Public School Districts	218
County Superintendents	15
Other	17
Total	273

A member is entitled to receive full benefits when three or more years of credited service as a teacher in North Dakota have accumulated, the member is no longer employed as a teacher and has reached age 65, or the sum of age and years of service credit equals or exceeds 85. TFFR permits early retirement from ages 55 to 64, with benefits actuarially reduced by 6% per year for every year the member's retirement age is less than 65 years or the date as of which age plus service equal 85. In either case, benefits may not exceed the maximum benefits specified in Section 415 of the Internal Revenue Code.

Pension benefits paid by TFFR are determined by NDCC 15-39.1-10. Monthly benefits under TFFR are equal to the three highest annual salaries earned divided by 36 months and multiplied by 2.00% times the number of service credits earned. Retirees may elect payment of benefits in the form of a single life annuity, 100% or 50% joint and survivor annuity, five- or ten-year term certain annuity, or level income with Social Security benefits. Members may also qualify for benefits calculated under other formulas and may be eligible for legislative increases in monthly benefits.

Survivor benefits may be paid to a member's designated beneficiary. If a member's death occurs before retirement, the benefit options available are determined by the member's vesting status prior to death. If a member's death occurs after retirement, the death benefit received by the beneficiary (if any) is based on the retirement plan the member selected at retirement.

An active member is eligible to receive disability benefits when: (a) a total disability lasting twelve months or more does not allow the continuation of teaching, (b) the member has accumulated one year of credited service in North Dakota, and (c) the Board of Trustees of TFFR has determined eligibility based upon medical evidence. The amount of the disability benefit is computed by the retirement formula in NDCC 15-39.1-10 without consideration of age and assuming the member has a minimum of 20 years of credited service. There is no actuarial reduction for reason of disability retirement.

Assessments and contributions paid to TFFR are set by NDCC 15-39.1-09. Every eligible teacher in the state of North Dakota is required to be a member of TFFR and is assessed at a rate of 7.75% of salary as defined by NDCC 15-39.1-04. Every governmental body employing a teacher must also pay into TFFR a sum equal to 7.75% of the teacher's salary.

A vested member who terminates covered employment may elect a refund of assessments paid or defer payment until eligible for pension benefits. A nonvested member who terminates covered employment must claim a refund of assessments paid unless that member submits a valid waiver of this refund to the Board of Trustees of TFFR. Refunded members forfeit all service credits under TFFR. These service credits may be repurchased upon return to covered employment under certain circumstances, as defined by the NDCC.

The following table summarizes membership information by plan at the actuarial valuation date:

	PERS	NDHPRS	JSND	TFFR
Retirees and Beneficiaries Currently Receiving Benefits:	5,411	85	214	5,177
Special Prior Service Retirees:	96	-	-	-
Terminated Employees:				
Vested	850	2	5	1,276
Nonvested	3,108	2	-	233
Total Terminated Employees	3,958	4	5	1,509
Active Employees:				
Vested	12,978	71	68	8,672
Nonvested	4,182	60	-	1,244
Total Active Employees	17,160	131	68	9.916
Date of Annual Valuation	July 1, 2003	July 1, 2003	July 1, 2003	July 1, 2003

The above table includes retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits, but not yet receiving them.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PLAN ASSET MATTERS

BASIS OF ACCOUNTING

The public employee retirement systems described above are considered part of the State of North Dakota's reporting entity and are included in the State's financial statements as pension trust funds. The financial statements of these systems are prepared using the accrual basis of accounting. Employee contributions are recognized as revenues in the period in which they are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contribution. Benefits and refunds are recognized when due and payable in accordance with the terms of the plans.

METHOD USED TO DETERMINE EMPLOYER CONTRIBUTIONS

Employer contributions for the PERS, NDHPRS and JSND were determined by an actuarial formula identified as entry age normal cost method. The formula determines the amount of contributions necessary to fund: (a) the current service cost, which represents the estimated amount necessary to pay for benefits earned by employees during the current service year and, (b) the prior service cost, which represents the amount necessary to pay for benefits earned prior to the effective date of the plan.

METHOD USED TO VALUE INVESTMENTS

Investments are recorded at fair value determined by reference to published market data for publicly traded securities and through the use of independent valuation services and appraisals for other investments. The net increase in fair value of investments consists of the realized gains or losses and the unrealized increase or decrease in fair value of investments during the year. Realized gains and losses on sales of investments are computed based on the difference between the sales price and the original cost of the investment. Unrealized increases or decreases are computed based on changes in the fair value of investments between years. Security transactions are accounted for on a trade date basis. Interest income is recognized when earned. Dividend income is recorded on the ex-dividend date.

During the current year, there were no investments in the stock or bonds of any commercial or industrial organization whose fair value represented five percent or more of the net assets available for benefits. Additionally, there were no securities of the employers or related parties included in the assets of the pension trust funds.

Investments of PERS and NDHPRS are commingled and invested. Earnings on the investments and expenses relating to administering the plans are allocated to each plan based upon their percentage of ownership or number of participants.

The Retirement Plan for Employees of Job Service North Dakota Pension Trust Fund was funded under a deposit administration contract with Travelers Insurance Company (Travelers) until September 30, 1993, and was valued at contract value.

Effective October 1, 1993, the deposit administration fund was terminated and Group Guaranteed Benefit Contract GR-16312 was in effect. Funds transferred from the deposit administration fund to the new contract were $33,712,261 on October 1, 1993. Contract value represents the balance of the fund not yet transferred to the Agency, plus interest of 6.45 percent, less funds used to purchase cost-of-living annuities for retirees prior to October 1, 1993, and pay administration expenses charged by the Travelers. On September 30, 2002, the last payment was received on the Group Guaranteed Benefit Contract, liquidating the contract with Travelers.

On March 14, 1994, the Plan Administrator/Trustee for the Retirement Plan for Employees of Job Service North Dakota entered into an investment management agreement with the North Dakota State Investment Board. This agreement provided for investment management services for pension fund assets.

C. FUNDING STATUS AND PROGRESS

The actuarial methods and assumptions together with the schedule of funding progress is presented by the

retirement systems in their separately presented financial reports based upon the actuary reports generated by the studies conducted by the Segal Company and Gabriel, Roeder, Smith and Company. The actuarial value of assets is based on a five-year smoothed fair value basis. Under this method, realized and unrealized gains and losses on investments are smoothed over five years. Below is listed the various actuarial methods and significant assumptions used to determine the annual required contributions, together with the schedule of funding progress.

	PERS NDHPRS	JSND	TFFR
Valuation Date	July 1, 2003	July 1, 2003	July 1, 2003
Actuarial Cost Method	Entry Age Normal	Frozen Entry Age**	Entry Age Normal
Amortization Method	Level Percent	Level Dollar	Level Payment
	Open	Closed	Open
Remaining Amortization Period	20 years	15 years	43.6 years
Asset Valuation Method	5-year	5-year	5-year
	smoothed market	smoothed market	smoothed market
Actuarial Assumptions:			
Investment rate of return	8.0%	8.0%	8.0%
Projected salary increase	4.5%*	5.0%	4.0% to 13.0%
Includes inflation at	4.5%	5.0%	3.0%
Post retirement cost-of-living adjustment	None	5.0%	None

* Inflation together with wage increases attributable to seniority, merit and "standard of living" increases.

** As of July 1, 2003, the actuarial value of assets exceeds the present value of projected benefits; therefore, the unfunded actuarial accrued liability is currently zero.

Schedule Of Funding Progress
(Dollars In Millions)

Actuarial Valuation Date	Actuarial Value Of Plan Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL) (Funded Excess)	Funded Ratio	Annual Covered Payroll	UAAL (Funded Excess) As A Percentage Of Annual Covered Payroll
PERS						
July 1, 1998	$ 801.3	$ 720.1	$ (81.2)	111.3%	$ 379.0	(21.4)%
July 1, 1999	917.0	842.7	(74.3)	108.8%	397.7	(18.7)%
July 1, 2000	1,027.0	891.9	(135.1)	115.1%	409.0	(33.0)%
July 1, 2001	1,115.3	1,008.6	(106.7)	110.6%	433.3	(24.6)%
July 1, 2002	1,150.0	1,103.5	(46.5)	104.2%	461.3	(10.1)%
July 1, 2003	1,166.5	1,188.8	22.3	98.1%	479.5	4.7%
NDHPRS						
July 1, 1998	$ 28.1	$ 28.9	$ 0.8	97.2%	$ 4.3	18.6%
July 1, 1999	32.0	32.2	.2	99.4%	4.5	4.4%
July 1, 2000	35.9	34.0	(1.9)	105.6%	4.7	(40.4)%
July 1, 2001	38.8	38.1	(0.7)	101.8%	4.9	(14.3)%
July 1, 2002	39.5	40.5	1.0	97.4%	5.1	19.6%
July 1, 2003	39.6	42.4	2.8	93.4%	5.4	51.9%

JSND						
July 1, 1998	$ 61.7	N/A*	$ -	N/A	$ 4.3	0.0%
July 1, 1999	66.6	N/A	-	N/A	4.0	0.0%
July 1, 2000	71.0	N/A	-	N/A	3.7	0.0%
July 1, 2001	70.8	N/A	-	N/A	3.5	0.0%
July 1, 2002	67.6	N/A	-	N/A	3.2	0.0%
July 1, 2003	66.0	N/A	-	N/A	2.9	0.0%
TFFR						
July 1, 1998	$ 928.0	$ 1,033.0	$ 105.0	89.8%	$ 298.4	35.2%
July 1, 1999	1,053.1	1,188.4	135.3	88.6%	314.6	43.0%
July 1, 2000	1,308.5	1,287.9	(20.6)	101.6%	323.0	(6.4)%
July 1, 2001	1,414.7	1,467.7	53.0	96.4%	342.2	15.5%
July 1, 2002	1,443.5	1,575.8	132.3	91.6%	348.1	38.0%
July 1, 2003	1,438.4	1,690.3	251.9	85.1%	367.9	68.5%

*The Frozen Initial Liability method does not directly identify an Actuarial Accrued Liability.

D. CONTRIBUTIONS REQUIRED AND CONTRIBUTIONS MADE

Employer contribution rates for PERS, NDHPRS and JSND are set by state statute using the entry age normal actuarial cost method. This method produces an employer contribution rate consisting of (1) an amount for normal cost, (2) an amount for amortization of the unfunded accrued liability over a period of 20 years for PERS and NDHPRS and 30 years for JSND, and (3) the amount necessary to provide for operating expenses. For JSND the entire employer contribution requirement is to cover the current amortization of the Initial Actuarial Accrued Liability with none being applied for normal costs. In determining funding requirements, the actuary uses the same actuarial assumptions as those used to calculate the actuarial accrued liability.

The contribution rate is not actuarially determined for TFFR; it is set by statutory law under the North Dakota Century Code 15-39.1-09. It is required that every eligible teacher be a member of the Fund and assessed at a rate of 7.75 percent of gross salary and that every governmental body employing a teacher pay into the plan a sum equal to 7.75 percent of the teacher's salary.

The following schedule presents, by retirement system, annual required contributions and the percentage contributed:

Schedule of Employer Contributions

	Annual Required Contribution	Percentage Contributed
PERS		
2001	$ 9,642,770	100%
2002	16,811,296	100%
2003	20,644,235	93%
TFFR		
2001	$ 26,289,206	100%
2002	27,243,542	100%
2003	28,850,725	100%

For NDHPRS and JSND, sole employer plans, the following schedule represents the annual pension costs and net pension obligations for the year ended June 30, 2003:

	NDHPRS	JSND
Annual required contributions	$ 748,658	$ -
Interest on net pension obligations	(64,532)	134,088
Adjustment to annual required contributions	56,297	137,855
Annual pension costs	740,423	3,767
Contributions made	833,074	-
Increase in net pension obligations	(92,651)	3,767
Net pension obligations, beginning of year	(806,653)	(1,676,102)
(Assets in excess of) net pension obligations, end of year	$ (899,304)	$ (1,672,335)

The following schedule presents the annual pension costs, the percentages contributed, and the net pension obligations:

	Annual Pension Costs (APC)	Percentage of APC Contributed	Net Pension Obligations
NDHPRS			
2001	$ 420,601	187%	(577,953)
2002	591,235	138%	(806,653)
2003	748,658	111%	(899,304)
JSND			
2001	$ 3,784	0%	(1,679,878)
2002	3,776	0%	(1,676,102)
2003	3,767	0%	(1,672,335)

E. DEFINED CONTRIBUTION PLAN

The North Dakota Defined Contribution Retirement Plan was established on January 1, 2000, and is administered in accordance with chapter 54-52.6 of the North Dakota Century Code. The Defined Contribution Plan covers state employees who are in positions not classified by the central personnel division of the State. Employees of the judicial branch or the Board of Higher Education and state institutions under the jurisdiction of the Board of Higher Education are not eligible to participate in the Defined Contribution Plan. The Defined Contribution Plan had 295 participants as of June 30, 2003.

Upon the death of a participating employee or former participating employee, the vested account balance of that deceased participant is available to the participant's designated beneficiary(ies). An employee who becomes totally and permanently disabled while employed by the State is eligible to receive a distribution of the vested account balance. To qualify under this section, the employee must meet the criteria established by the System for being totally disabled.

Employees are entitled to their vested account balance. A participating employee is immediately 100% vested in the employee's contributions. A participating employee vests in the employer contributions made on the employee's behalf as follows:

Upon completion of two years of service	50%
Upon completion of three years of service	75%
Upon completion of four years of service	100%

Employees may elect to receive their account balance in a lump sum, lump sum direct rollover, or periodic distribution.

Contributions are set by state statute and are a percentage of salaries and wages. Employee contributions are established at 4%, and employer contributions are established at 4.12% of regular compensation. Employer and employee contributions totaled $494,579 and $480,174, respectively, for the fiscal year ended June 30, 2003.

The Board, or vendors contracted by the Board, have exclusive authority to invest and manage the assets of the Defined Contribution Plan. State statute allows each participating employee to direct the investment of the individual's employer and employee contributions and earnings to one or more investment options within the available categories of investment as established by the Board. The following investments represent 5% or more of net plan assets at June 30, 2003:

Fidelity Managed Income Portfolio Mutual Fund	23.57%
Fidelity Growth Company Mutual Fund	13.19%
Fidelity Freedom 2020 Mutual Fund	9.74%
Fidelity Equity Income	7.70%
Fidelity Spartan U.S. Equity Index	6.57%
PIMCO Total Return Admin. Mutual Fund	6.94%
Fidelity Diversified International Mutual Fund	5.27%
Fidelity Freedom 2010 Mutual Fund	5.28%

F. TEACHERS' INSURANCE ANNUITY ASSOCIATION

The Teachers' Insurance and Annuity Association (TIAA-CREF), a privately-administered defined contribution retirement plan, provides individual retirement fund contracts for eligible employees as defined by the Board of Higher Education in its approved TIAA-CREF retirement resolution. All benefits vest immediately to the participant. Further information can be obtained by writing to TIAA-CREF, Denver Regional Office, 1700 Broadway, Suite 770, Denver, Colorado 80290 or by calling 800-842-2009.

Employees are eligible for retirement benefits after attaining the age of 65, which is payable periodically for life. All benefits vest immediately to the participant. The plan requires employee and employer contributions be

based on a classification system and years of service based on the schedule shown below.

Employment Class	Years Of Service	By The Participant	By The Institution	Total
I and III	0 thru 10	1.50%	9.50%	11.00%
	over 10	2.00%	10.00%	12.00%
II	0 thru 2	0.50%	4.50%	5.00%
	3 thru 10	1.50%	9.50%	11.00%
	over 10	2.00%	10.00%	12.00%
IV	0	1.00%	9.00%	10.00%

Plan contributions are made on a tax-deferred basis in accordance with section 414(h)(2) of the Internal Revenue Code. All contributions are applied as premiums to retirement annuity contracts owned by the participant. The State has no further liability once annual contributions are made. The State contributed $16,726,196 to TIAA-CREF during the fiscal year ending June 30, 2003.

NOTE 6 - POST-RETIREMENT BENEFITS

The Retiree Health Benefits Fund is administered by the North Dakota Retirement Board (the Board) to provide members receiving retirement benefits from the Public Employees Retirement System (which includes judges retired under NDCC 27-17), the Highway Patrolmen's Retirement System, the Defined Contribution Retirement Plan, and the Retirement Plan established by Job Service North Dakota a credit toward their monthly health insurance premium under the state health plan based upon the member's years of credited service. The Retiree Health Benefits Fund is advance-funded on an actuarially determined basis.

The employer contribution for the Public Employees Retirement System, the Highway Patrolmen's Retirement System, and the Defined Contribution Retirement Plan is set by state statute on an actuarially determined basis at one percent of covered compensation. The employer contribution for the Supreme and district court judges is one percent of covered compensation in order to extend this benefit to judges retired under NDCC 27-17. Job Service North Dakota reimburses the Retiree Health Benefits Fund monthly for credit received by members of the retirement program established by Job Service North Dakota. Employees participating in the retirement plan as part-time/temporary members are required to contribute one percent of their covered compensation to the Retiree Health Benefits Fund. Employees purchasing previous service credit are also required to make an employee contribution to the Fund.

Retiree health benefits are set by state statute. There are no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Employees who are receiving monthly retirement benefits from the Public Employees Retirement System (which includes judges retired under NDCC 27-17), the Highway Patrolmen's Retirement System, the Defined Contribution Retirement Plan, or the Retirement Plan established by Job Service North Dakota, are eligible to receive credit toward their monthly health insurance premium under the state health plan. The benefits are equal to $4.50 for each of the employee's years of credited service not to exceed the premium in effect for selected coverage. Total Job Service expenditures for their pay-as-you-go plan was $205,398 for the period ending June 30, 2003. The number of employees from Job Service using the credit was 170 at June 30, 2003. The retiree health benefit is also available for early retirement with reduced benefits.

Death and disability benefits are set by state statute. An employee receiving disability benefits, or the spouse of a deceased annuitant receiving a surviving spouse benefit, are eligible to receive a credit toward their monthly health insurance premium under the state health plan. The benefits are equal to $4.50 for each of the employee's or deceased employee's years of credited service, not to exceed the premium in effect for selected coverage.

Actuarial valuations of the Fund were done as of June 30, 2003. The actuarial cost method used is the Projected Unit Actuarial Credit Cost Method. The significant actuarial assumptions used to determine funding requirements are (a) a rate of return on the investment of present and future assets of 8.0 percent, (b) inflation at 4.50 percent per annum, (c) pre- and post-mortality life expectancies of participants based upon 1983 Group Annuity Mortality Tables and the PBGC's Disabled Life Mortality Tables, (d) rates of withdrawal from active service before retirement for reasons other than death, rates of disability, and expected retirement ages developed on the basis of actual plan experience, and (e) administrative expenses of $65,000 per year. Plan assets are valued, for actuarial purposes, using a five-year smoothed market method.

There were no changes in actuarial assumptions, asset method, or plan experience that affected the employer's contribution rates. There were no plan amendments.

Employer contributions totaling $4,712,819 were made for the year ended June 30, 2003. The actuarially required employer contribution of $4,894,636 for the year ended June 30, 2003, is 0.98 percent of the covered payroll and reflects the fact that the statutory rate of one percent is sufficient to cover future costs of the Fund. At June 30, 2003, the cost of benefits incurred for the fund was $3,893,070.

Employee membership is as follows:

Retirees receiving benefit	3,519
Active participants	17,545
Total Membership	21,064

According to the Projected Unit Credit Cost Method, the actuarial accrued liability and the unfunded actuarial accrued liability of the Retiree Health Benefits Fund are as follows:

Actuarial accrued liability	$ 71,976,336
Net assets available for benefits, at actuarial value	27,473,723
"Unfunded" accrued liability	$ 44,502,613

The fair value of the net assets available for benefits at June 30, 2003, is $25,453,364.

NOTE 7 - DEFERRED COMPENSATION PLAN

The State offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all State employees, permits them to defer a portion of their current salary until future years. Participation in the plan is optional. The deferred compensation is not available to the employees until termination, retirement, death or unforeseeable emergency.

All compensation deferred under the plans, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights, are held in trust for the exclusive use of the employee or their beneficiary.

The related assets of the plan, held in trust, are reported at fair value as follows (expressed in thousands):

Plan Participation By:	
State of North Dakota	$ 8,903
Other Jurisdictions	1,989
Total Value	$ 10,892

NOTE 8 - PERS UNIFORM GROUP INSURANCE PROGRAM

The PERS Uniform Group Insurance Program, an enterprise fund, contracts with Blue Cross Blue Shield of North Dakota (BCBS) to provide health care insurance to the employees of the State of North Dakota, or any of its political subdivisions, institutions, departments or agencies. The contract provides for an accounting of premiums paid and claims incurred during the biennium. In accordance with the term of the contract for the 2001-2003 biennium, the system is to deposit a total of $3 million with BCBS. These surplus funds are to be used to pay any claims in excess of the premiums collected. At the end of the contract period, the system receives the remaining surplus funds plus interest. The accumulated surplus and other invested funds in the amount of $3,212,899 are shown as cash on the state's financial statements. These funds are being held by BCBS.

Similarly, the PERS Uniform Group Insurance Program contracts with ReliaStar Life Insurance Company to provide life insurance to the employees of the State of North Dakota or any of its political subdivisions, institutions, departments or agencies. The contract provides for an accounting of premiums paid and claims incurred during the biennium, with any surplus shared according to a formula outlined in the contract. Based on ReliaStar's final accounting for the 2001-2003 biennium, there was no surplus for this contract period.

NOTE 9 - SEGMENT INFORMATION

North Dakota Housing Finance Agency maintains three separate funds which account for general agency operations and provide loans to finance construction of rental residential housing and single-family ownership. The three funds are accounted for in a single fund, but investors in the multi-family and home ownership bonds rely solely on the revenue generated by the mortgage loans and assets acquired for repayment. Segment information for the year ended June 30, 2003, was as follows (expressed in thousands):

	Agency Operating Funds	Multi-family Bond Funds	Home-Ownership Bond Funds
Condensed Statement of Net Assets			
Current assets – other	$ 20,436	$ 509	$ 183,227
Noncurrent assets – other	19,924	10,383	545,636
Total Assets	40,360	10,892	728,863
Current liabilities – other	11,765	485	36,223
Noncurrent liabilities – other	62	10,017	652,815
Total Liabilities	11,827	10,502	689,038
Net assets – invested in capital assets, net of related debt	56	-	-
Net assets – unrestricted	10,600	-	-
Net assets – restricted	17,877	390	39,825
Total Net Assets	$ 28,533	$ 390	$ 39,825

	Agency Operating Funds	Multi-family Bond Funds	Home-Ownership Bond Funds
Condensed Statement of Revenues, Expenses and Change in Fund Net Assets			
Operating revenues	$ 4,228	$ 779	$ 44,367
Operating expenses	4,077	767	40,270
Operating income	151	12	4,097
Nonoperating revenue	3,694	-	-
Transfers	(24)	-	-
Change in net assets	3,821	12	4,097
Total net assets, beginning of year	33,377	378	27,063
Total net assets, end of year	28,533	390	39,825
Condensed Statement of Cash Flows			
Net cash from operating activities	7,413	673	102,026
Net cash used for noncapital financing activities	(10,703)	(877)	(67,277)
Net cash from investing activities	3,710	228	1
Net change in cash and cash equivalents	420	24	34,750
Cash and cash equivalents, beginning of year	7,923	379	130,281
Cash and cash equivalents, end of year	8,343	403	165,031

NOTE 10 - FINANCIAL INSTRUMENTS WITH OFF-BALANCE-SHEET RISK

BANK OF NORTH DAKOTA

The State, through the Bank of North Dakota, is a party to financial instruments with off-balance-sheet risk in the normal course of business. These financial instruments include commitments to extend credit and financial standby letters of credit. Those instruments involve varying degrees of credit and interest rate risk in excess of the amount recognized in the balance sheet. The contract amounts of those instruments reflect the extent of involvement the State has in particular classes of off-balance-sheet financial instruments.

The State's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit and financial standby letters of credit is represented by the contractual amount of those instruments. The State uses the same credit policies in making commitments and conditional obligations as it does for on-balance-sheet instruments.

	Contract Amount (in thousands)
Commitments to extend credit	$ 236,364
Financial standby letters of credit	88,509
	$ 324,873

Commitments to extend credit are agreements to lend as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments may expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The State evaluates each customer's credit worthiness on a case-by-case basis. The amount of collateral obtained by the State upon extension of credit is based on management's credit evaluation of the customer. Collateral held may include accounts receivable, inventory, property, plant and equipment, and income-producing commercial properties.

Financial standby letters of credit are conditional commitments issued by the State to guarantee the performance of a customer to a third party. Those guarantees are primarily issued to support public borrowing arrangements. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. The likelihood of funding any of these letters of credit is considered to be remote.

NORTH DAKOTA HOUSING FINANCE AGENCY

In the normal course of business, the Agency makes various commitments that are not reflected in the financial statements. These include commitments to extend credit and the debt reduction required when related loan acquisition funds are not drawn down within prescribed time frames set by the specific bond resolution.

Commitments to extend credit are agreements to fund loans as long as there is no violation of any condition established in the contracts. Commitments require the payment of a reservation fee and generally have a fixed expiration date. Commitments to extend credit total $22,569,000 at June 30, 2003. The Agency does not

anticipate any material losses as a result of these commitments.

The bond resolutions require that the funds in the loan acquisition accounts be expended within 42 months of the related bond delivery date. Any remaining funds must be used for debt reduction. The loan acquisition funds totaled $10,274,000 at June 30, 2003.

MUNICIPAL BOND BANK

In the normal course of business, the Bond Bank (a component unit) makes various commitments that are not reflected in the financial statements. These commitments include commitments to extend credit of $29,987,000 at December 31, 2002.

COMMUNITY WATER FACILITY LOAN FUND

The Fund is a party to credit-related financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit. Commitments to extend credit totaled $1,000,000 as of December 31, 2002.

NOTE 11 - INTEREST RATE SWAP

NORTH DAKOTA HOUSING FINANCE AGENCY

As a means to lower its borrowing costs, when compared against fixed-rate bonds at the time of issuance, the Agency entered into several interest rate swaps in connection with various variable-rate housing bond series. The intention of these swaps was to effectively change the Agency's interest rate on the bonds to a fixed rate.

The bonds and the related swap agreements have a stated maturity date, and the swap's notional amounts match the amount of variable-rate bonds. Under the swaps, the Agency pays the counterparty a fixed payment and receives a variable payment computed as a percent of the London Interbank Offered Rate (LIBOR) plus a fixed percentage. On the other hand, the bond's variable-rate coupons are determined by the remarketing agent. If for any reason the remarketing agent fails to act, the rate shall be the lesser of (i) the TBMA Index plus 0.25% or (ii) the Maximum rate as defined within the applicable series resolution.

As of June 30, 2003, the Agency is not exposed to credit risk because the swap had a negative fair value. However, the swap exposes the Agency to basis risk should the relationship between LIBOR and TBMA converge, changing the synthetic rate on the bonds. The derivative contract uses the International Swap Dealers Association Master Agreement, which includes standard termination events. The Schedule to the Master Agreement includes an "additional termination event." That is, the swap may be terminated if a counterparty's credit quality rating falls below "A3" as issued by Moody's Investors Service or "A-" as issued by Fitch Ratings or Standard & Poor's.

Because interest rates have declined since execution of the swap, the swap has a negative fair value as of June 30, 2003. The swap's negative fair value may be countered by a reduction in total interest payments required under the variable-rate bonds, creating a lower synthetic fixed interest rate. Because the coupons on the government's variable-rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase. All valuations are as of the valuation date indicated. Mid-Market or indicative unwind valuations may be derived from broker quotations or from proprietary models that take into consideration estimates about relevant present and future market conditions as well as the size and liquidity of the position and any related actual or potential hedging transactions. Valuations based on other models or different assumptions may yield different results.

The swap exposes the Agency to basis risk should the relationship between LIBOR and the actual variable rates converge, changing the synthetic rate on the bonds. The effect of this difference in basis is indicated by the difference between the intended synthetic rate and the synthetic rate as of June 30, 2003. The swap may be terminated at any time by the Agency with 30 days written notice up to limits specified in the swap agreement.

1.	Bond Series	2002 B	2002 B	2003 A	2003 A
2.	Issuance Date	8/28/02	8/28/02	5/14/03	5/14/03
3	Maturity Date	1/1/34	7/1/11	7/1/34	1/1/12
4.	Notional Amount	$ 17,975,000	$ 6,290,000	$ 14,135,000	$ 8,400,000
5.	Variable-rate Bonds	$ 17,975,000	$ 6,290,000	$ 14,135,000	$ 8,400,000
6.	Fixed Rate	4.47%	2.94%	4.035%	2.463%
7.	LIBOR Percentage	68.70%	70.60%	62.50%	62.50%
8.	Additional Percentage	0.00%	0.00%	0.44%	0.44%
9.	Bonds Variable-rate	0.98%	0.98%	1.05%	1.05%
10.	Fair Value	$ (1,729,414)	$ (322,520)	$ (348,529)	$ (86,089)

11.	Percentage of LIBOR	0.76944%	0.00%	1.14%	0.44%
12.	Synthetic Rate	4.68056%	3.92%	3.945%	3.073%
13.	Actual Synthetic Rate	4.98110%	3.42360%	-	-

Using rates as of June 30, 2003, debt service requirements of the variable-rate debt and new swap payments are as follows. Interest calculations were based on rates as of June 30, 2003. As rates vary, variable-rate bond interest payments and net swap payments will vary. (Expressed in thousands.)

Fiscal Year Ending June 30	Variable-Rate Bond Principal	Variable-Rate Bond Interest	Interest Rate Swap, Net	Total
2004	$ 215	$ 473	$ 1,319	$ 2,007
2005	1,095	464	1,303	2,862
2006	1,975	447	1,272	3,694
2007	2,270	424	1,234	3,928
2008	2,160	401	1,198	3,759
2009-2013	6,975	1,895	6,078	14,948
2014-2018	-	1,785	5,909	7,694
2019-2023	2,880	1,759	5,819	10,458
2024-2028	14,345	1,206	3,982	19,533
2029-2033	14,885	321	1,060	16,266
	$ 46,800	$ 9,175	$ 29,174	$ 85,149

NOTE 12 - SIGNIFICANT CONCENTRATIONS OF CREDIT RISK

Most of the State's business is with customers within the state. Concentrations of credit are present in the construction and operation of community water facilities, developmentally disabled facilities, loans to students for post-secondary education, single-family and multifamily mortgage loans, and the agricultural industry. Due to the pervasive nature of agriculture in the economy of the state, all loans, regardless of type, are impacted by agriculture.

NOTE 13 - RISK MANAGEMENT

Several funds accumulate assets to cover risks that the State may incur. Specifically, the State assumes a portion or substantially all risks associated with the following:

THE STATE FIRE AND TORNADO FUND

The State Fire and Tornado Fund, an Enterprise Fund, is financed by premiums charged to the participating funds of the State. All monies collected must be paid into the fund for use only for the purpose outlined in NDCC 26.1-22.02.

All losses occasioned by the hazards provided for in the North Dakota Century Code must be paid out of the fund, with the fund being reimbursed by a third-party insurance carrier for all losses in excess of $1,000,000 per occurrence. The limit of liability of such reinsurance contract is no less than $1,000,000 during each twelve month period.

STATE BONDING FUND

The State Bonding Fund, an Enterprise Fund, is financed by premiums charged to each State agency for the bonding of public employees and public officials.

FLEET SERVICES

Fleet Services, an Internal Service Fund, represents the State's fleet of automobiles and is administered by the Department of Transportation. The State is self-insured for substantially all automobile insurance (e.g., comprehensive, collision), with the exception of liability, which is provided by the State's Risk Management Fund (RMF). State agencies are charged premiums to cover Fleet Service's RMF assessment and to pay for those losses which are not covered by RMF. These premium charges are factored into the fees agencies are charged when renting the cars.

WORKFORCE SAFETY & INSURANCE

Workforce Safety & Insurance (WSI), an Enterprise Fund, is a State insurance fund and a "no fault" insurance system, covering the State's employers and employees. WSI is financed by premiums assessed to employers. The rate of such premiums is periodically adjusted to assure the solvency of WSI. The premiums are available primarily for the payment of claims to employees injured in the course of employment. During fiscal year 2003, a total of $149,135,552 in claims was recognized. Incurred but not reported claims of

$577,500,000 have been accrued as a liability based primarily upon actuarial estimates.

RISK MANAGEMENT FUND

Due to the loss of sovereign immunity, the 1995 Legislature established the Risk Management Fund (RMF) to pay money damages for tort claims for which the State is liable. The statutory liability of the State is limited to a total of $250,000 per person and $1,000,000 per occurrence. The State purchases commercial insurance for claims in excess of coverage provided by the Fund and continues to transfer liabilities for medical malpractice and aviation to private insurance carriers. Settlements have not exceeded insurance coverage in any of the past three fiscal years.

Revenues to the RMF are generated from contributions required from state agencies, boards and commissions, and the University System. The need for and amount of funding is determined using a projected cost allocation approach. The premise of this plan is that the agencies with greater expected loss costs should contribute more to the funding of the RMF than those agencies with lessor costs. The underlying logic is that contributions should roughly equal loss costs plus the expenses of administering the program over the long term.

The RMF liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Unpaid claim liabilities are based on an actuarial study of the outstanding loss reserve need for the fund and a forecast of ultimate loss and loss expense. These liabilities were determined on an undiscounted expected level of ultimate loss. Because actual claims liabilities are affected by complex factors including inflation, changes in legal doctrines, and unanticipated damage awards, the process used in computing claims liabilities does not necessarily result in exact amounts. Claims liabilities will be re-evaluated periodically to take in consideration settled claims, the frequency of claims, and other economic and social factors.

The following table presents the changes in claims liabilities balance for the fiscal years ending June 30, 2002, and June 30, 2003:

Fiscal Year	Beginning Balance	Current Year Claims and Changes In Estimates	Claims Payments	Ending Balance
2002	$ 2,093,000	$ 856,677	$ 412,046	$ 2,537,631
2003	2,537,631	1,210,045	765,415	2,982,261

The Risk Management Workers Compensation Program (WCP) was established to consolidate all state entities under one workers compensation account, allowing for transitional duty between entities. The statutory liability of the fund is limited to $100,000 per claim with Workforce Safety & Insurance, providing excess insurance for claims which exceed the $100,000 cap. WCP pays separately for this coverage. Since the inception of WCP on July 1, 2001, one claim exceeded coverage by $12,970.

Revenues to WCP are generated from contributions required from state agencies, boards, commissions, and the University System. The amount contributed from each agency is actuarially determined by North Dakota Workers Compensation and based upon the number of employees, the type of work done, and claims history of each entity. Each entity also pays a deductible of $250 per claim.

The WCP liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Because actual claims liabilities are affected by complex factors including inflation, changes in legal doctrine, and unanticipated damage awards, the process used in computing claims liabilities does not necessarily result in exact amounts. Claims liabilities will be re-evaluated periodically to take into consideration settled claims, the frequency of claims, and other economic and social factors. An actual study was performed for North Dakota Workers Compensation. The liability estimates are based on that study.

The following table presents the changes in claims liabilities balance for the fiscal year ending June 30, 2003:

Fiscal Year	Beginning Balance	Current Year Claims and Changes in Estimates	Claims Payments	Ending Balance
2002	$ -	$ 1,157,853	$ 666,683	$ 491,170
2003	491,170	1,864,658	1,009,070	1,346,758

NOTE 14 - PUBLIC ENTITY RISK POOLS

A. GENERAL

FIRE AND TORNADO AND BONDING FUND

The Fire and Tornado Fund provides property insurance to state agencies, political subdivisions, the International Peace Garden and the winter show. The Fire and Tornado Fund has issued 1,089 policies to participating entities for a total building and content coverage of $5.6 billion. The Bonding Fund is used to provide fidelity bonding of public employees and officials. The Fund has issued 2,917 policies to participating entities. The total coverage for the Bonding Fund is $575.6 million. If the assets of these funds were exhausted, fund participants would not be responsible for the funds' liabilities.

The Fire and Tornado and Bonding Fund are accounted for on the accrual basis. The Fire and Tornado Fund establishes claim liabilities based on estimates of the ultimate cost of claims that have been reported but not settled, and of claims incurred but not reported. The Bonding Fund establishes claim liabilities based on actual judgments obtained against the fund but not paid prior to fiscal year end. Liabilities for incurred but not reported losses have not been established as they are not expected to be material amounts. Neither fund incurred any acquisition costs which should have been capitalized, nor were any liabilities recognized that were discounted. Investment income was not considered in determining the existence of premium deficiencies.

The Fire and Tornado Fund uses reinsurance agreements to reduce its exposure to large losses on all types of its insured events. Reinsurance permits recovery of a portion of losses from reinsurers, although it does not discharge the primary liability of the Fund as direct insurer of the risks that are reinsured. The Fire and Tornado Fund does not report reinsured risks as liabilities unless it is probable that those risks will not be covered by reinsurers.

WORKFORCE SAFETY & INSURANCE

Workforce Safety & Insurance (WSI), an Enterprise Fund, is a state insurance fund and a "no fault" insurance system covering the State's employers and employees. At June 30, 2003, coverage extended to the following employers:

Annual Premium	
$125 - $5,000	16,590
$5,001 - $50,000	2,855
$50,001 - $100,000	190
Over $100,000	146
Total Employers	19,781

WSI is financed by premiums assessed to the employers of North Dakota. The premiums are available primarily for the payment of claims to employees injured in the course of employment.

The operations of WSI are accounted for on the accrual basis. Liability for incurred but not reported and incomplete claims and claims expense is estimated by WSI's actuary. The estimate is developed by WSI's actuary, taking into consideration past experience of WSI in paying claims, and general conditions of the environment in which WSI operates. The liability includes estimates of costs to settle individual claims which have been reported, plus a provision for losses incurred but not yet reported and includes the effects of inflation and other societal and economic factors. WSI records the liability at a discounted amount.

As adjustments to this estimated liability become necessary, such adjustments are reflected in current operations. Management believes the estimated liability for losses and loss adjustment expense is sufficient to cover the ultimate net cost of incurred claims, but such reserves are necessarily based on estimates and the ultimate liability may be greater or less than the amounts estimated.

For the year ended June 30, 2003, the actuary presented an estimate in the form of a range to emphasize the uncertainty for the estimated liability of WSI. These ranges are as follows (expressed in thousands):

	Low	Expected Value	High
Full Value Basis (undiscounted)	$950,000	$1,049,100	$1,210,000
Discounted at 6% rate	*	577,500	665,000

*Not computed by actuary.

WSI has adjusted the estimated liability for unpaid loss and loss adjustment expense to the actuary's six percent discounted expected value of $577.5 million at June 30, 2003.

The June 30, 2002, liability of $500.8 million was also recorded at the discounted rate of six percent.

While management has recorded amounts that fall within the ranges of estimated liabilities as computed under actuarial assumptions, the high level of uncertainty indicates that actual losses and expenses could be materially higher than the recorded estimated liability.

WSI did not incur any acquisition costs which should have been capitalized at June 30, 2003.

B. RECONCILIATION OF CLAIMS LIABILITIES

The following is a reconciliation of total claims liabilities, including an analysis of changes in aggregate liabilities for claims and claim adjustment expenses for the current fiscal year and the prior year (expressed in thousands):

	Fire And Tornado		Bonding		Workforce Safety & Ins	
	2003	2002	2003	2002	2003	2002
Unpaid claims and claims adjustment expenses at the beginning of the year	$ 5,149	$ 6,559	$ 126	$ 103	$ 500,800	$ 515,000
Incurred claims and claims adjustment expenses:						
Provision for current fiscal year	(603)	3,560	259	26	96,880	87,710
Change in provision for prior fiscal year	-	-	-	-	129,167	(36,072)
Payments and claims and adjustment expenses attributable to:						
Current fiscal year insured events	3,974	1,589	107	100	(18,586)	(17,131)
Prior fiscal years' insured events	(7,069)	(6,559)	(126)	(103)	(60,761)	(58,307)
Total Payments	(3,095)	(4,970)	(19)	(3)	(79,347)	(75,438)
Change in provision for discount	-	-	-	-	(70,000)	9,600
Total unpaid claims and claims adjustment expenses at the end of the year	$ 1,451	$ 5,149	$ 366	$ 126	$ 577,500	$ 500,800

NOTE 15 – SCHOOL PERMANENT TRUST FUND

State law permits the permanent fund to use one-tenth of the realized gains and losses in the current and previous years to be included in its calculation of income available for distribution in the current year. When determining the amount of distribution from any of the permanent educational trusts, the board of the permanent fund must consider both preservation of trust corpus and its ability to produce income for future years and the demands for distribution of current income. Any realized gains and losses that are spent must be spent for the purposes for which the trust was established.

Any income in excess of the amount of distribution for the current year can be acted on in one of three ways by the board of the permanent fund:

1. Distribute to the fund beneficiary all or a portion of the income in excess of the previous fiscal year's distribution;
2. Retain for distribution in future years all of a portion of the income in excess of the preceding fiscal year's distribution in an amount not to exceed $10 million; or
3. Add to the permanent fund all or a portion of the income in excess of the preceding fiscal year's distribution.

At June 30, 2003, realized gains and losses available for distribution in the current year totaled $6,370,555 for the permanent educational trusts. This amount is included in Reserved Fund Balances—Undistributed Revenue in the governmental funds balance sheet.

NOTE 16 – BANK OF NORTH DAKOTA

GASB Statement No. 34 requires assets and liabilities of enterprise funds be presented in a classified format to distinguish between current and long-term assets and liabilities. The Bank of North Dakota is the only government-owned bank in the United States. Banks do not present a classified balance sheet because current assets are not matched with current liabilities. Presentation of a classified balance sheet would give the false impression that there is a liquidity problem at the bank. Presentation of a classified balance sheet for the Bank of North Dakota would be misleading to the extent that the financial statements may be materially misstated. Therefore, the balance sheet of the Bank of North Dakota presents assets and liabilities in order of their relative liquidity, rather than in a classified format.

NOTE 17 - COMMITMENTS AND CONTINGENCIES

A. LONG-TERM COMMITMENTS

BANK OF NORTH DAKOTA

The 2001 North Dakota Legislature passed House Bill 1023, which authorizes the State Water Commission to issue up to $67,800,000 in bonds and appropriate the proceeds for various statewide water development projects.

Principal and interest on bonds used for projects authorized by House Bill 1023 are payable from

transfers to be made and appropriated by the legislative assembly from the Water Development Trust Fund, then from transfers to be made and appropriated by the legislative assembly from revenues in the Resources Trust Fund other than revenues from state taxes, then from operating transfers of other available revenues in the then current biennium, and then from any other revenues the State Water Commission makes available during the then current biennium. If sufficient funds from these sources is not available, then principal and interest on bonds are payable from transfers to be made and appropriated by the legislative assembly from the first available current biennial earnings of the Bank of North Dakota, not to exceed $6,500,000 per biennium prorated with any other bonds payable from transfers to be made and appropriated by the legislative assembly from available current biennial earnings of the Bank of North Dakota. There were no operating transfers made from the Bank of North Dakota for statewide water development projects for the 2001-2003 biennium by the Legislature.

The Bank of North Dakota shall extend a line of credit not to exceed $25,000,000 for the biennium ending June 30, 2003, to the State Water Commission for the purpose of interim financing until bonds are issued. Advances on the line of credit may be made only when a source of repayment has been identified and determined to be available. As of December 31, 2002, Bank of North Dakota has not funded and has not committed to fund any amount under the line of credit.

The 2001 North Dakota Legislature passed Senate Bill 2349, which amended the Beginning Entrepreneur Loan Guarantee Program. The program provides that the Bank of North Dakota enters into an agreement with a lender that in the event of default by a beginning entrepreneur under a note and mortgage or other loan or financing agreement, the Bank of North Dakota shall pay the lender the amount agreed upon, which is 85 percent of the amount of principal due the lender on a loan at the time the claim is approved. A lender may apply to the Bank of North Dakota for a loan guarantee for a loan of up to $100,000. The term of the loan guarantee may not exceed five years. The Bank may provide guarantees totaling $3,400,000. As of December 31, 2002, the Bank has provided guarantees totaling $1,122,000 and has guarantee commitments of $17,000 included in commitments to extend credit.

STUDENT LOAN TRUST

The 2003 North Dakota Legislature passed Senate Bill 2015 and House Bills 1003 and 1019 that provide for an appropriation of $26,259,000 from the Trust to the State's General Fund during the biennium beginning July 1, 2003, and ending June 30, 2005. The moneys must be transferred in such amounts and at such times as requested by the director of the Office of Management and Budget and upon certification by the Trust's trustee that sufficient moneys remain available to pay all debt service on student loan trust bonds, all required rebate payments to the U.S. Treasury, and all program operating expenses. Management is preparing a plan to fund these appropriations to the General Fund.

The 2003 North Dakota Legislature also passed Senate Bill 2335, which permits the Bank of North Dakota to request from the Commission a transfer from the Trust to reimburse the Bank of North Dakota for any losses incurred from investments in North Dakota alternative and venture capital investments and early-stage capital funds up to $5,000,000.

INDUSTRIAL COMMISSION

In September of 2001, the Industrial Commission, as part of the Lignite Research, Marketing and Development Program—Vision 21, entered into a contract with Montana-Dakota Utilities/Westmoreland Power, Inc. (MDU) for a total of $10,000,000. The contract authorizes payments over a period of years based on completion of the required research and the construction of a new lignite-fired power plant in North Dakota. Payments made on the contract total $750,000. The contract contains a provision for payback to the Industrial Commission of $4.5 million over twenty years if new power plants are built and become operational. Total commitments under the contract would be reduced by $7,650,000 if the power plant is not constructed. In addition, the Commission entered into a contract on November 1, 2001, with Great Northern Power Development L.P. totaling $673,250. Payments totaling $464,226 have been made. On June 18, 2003, the Commission approved the issuance of a Phase II feasibility matching contract in the amount of $687,500. The Phase II contract is currently being negotiated.

The Commission also has various significant commitments at June 30, 2003, for the purchase of various types of services and other goods totaling $2,255,700.

MILL AND ELEVATOR

As of June 30, 2003, the Mill had commitments to purchase 1,435,975 bushels of spring wheat and 22,355 bushels of durum.

JOB SERVICE NORTH DAKOTA

As of June 30, 2003, Job Service has commitments to pay $220,784 for purchase orders and contracts awarded for goods and services to be provided in future periods.

BUILDING AUTHORITY

The Authority has committed funds to complete various construction and modernization programs at June 30, 2003, totaling $33,507,000.

The Legislature authorized the Authority to issue bonds for the State Historical Society to renovate historic site

interpretive centers if they decide to proceed with the project prior to June 30, 2005. The amount authorized for financing this project is $2,000,000.

MUNICIPAL BOND BANK

On April 1, 1997, a Standby Bond Purchase Agreement was executed with the Central Dakota Irrigation District, a political subdivision. Should the District experience financial difficulties, the Bond Bank will purchase Central Dakota Irrigation District's Refunding Improvement Bonds (warrants) in an aggregate principal amount not less than the outstanding principal amount of the warrants plus accrued interest on the warrants. The original amount of the warrants issued April 1, 1997, was $3,270,000.

INFORMATION TECHNOLOGY DEPARTMENT

ITD has entered into a contract with Maximus to facilitate the implementation of PeopleSoft software for the ConnectND project. Estimated payments for the 2003-2005 biennium are $10,351,814.

DEPARTMENT OF HUMAN SERVICES

As of June 30, 2003, the Department of Human Services had significant commitments for the purchase of various types of services totaling $12,136,130.

PUBLIC SERVICE COMMISSION

As of June 30, 2003, the Public Service Commission had significant commitments of $634,305. This amount consists primarily of contractor charges associated with the Abandoned Mine Lands.

AERONAUTICS COMMISSION

As of June 30, 2003, the Aeronautics Commission had significant commitments of $1,316,270. This amount consists of grants to political subdivisions for maintenance and improvements of their airports.

DEPARTMENT OF COMMERCE

As of June 30, 2003, Department of Commerce had significant commitments of $838,616. This amount consists of grants for the research and development of North Dakota agriculture products.

DAIRY PRODUCTS PROMOTION COMMISSION

As of June 30, 2003, the Dairy Products Commission had significant commitments of $250,000. This amount consists of a contract with Midwest Dairy Association to implement and administer programs intended to contribute to the betterment of North Dakota dairy farmers and the State's dairy industry. The contract also provides the Commission with administrative, financial, and reporting services.

NORTH DAKOTA SOYBEAN COUNCIL

As of June 30, 2003, the North Dakota Soybean Council had significant commitments of $224,890. This amount mainly consists of grants for the research and development of soybeans.

STATE WATER COMMISSION

As of June 30, 2003, the State Water Commission had long-term commitments of $27,347,993 for various water projects.

NORTH DAKOTA DEPARTMENT OF TRANSPORTATION

At June 30, 2003, the North Dakota Department of Transportation (Special Revenue Fund) had non-construction contract commitments of approximately $5.0 million of which $3.4 million represents federal programs which are cost reimbursable.

Construction commitments at June 30, 2003, totaled approximately $188.9 million, of which $156.9 million represents federal programs which are cost reimbursable. These commitments will be funded with future appropriations as work is performed.

UNIVERSITY SYSTEMS

Contracts for the construction of various projects on behalf of the University System have been let as follows (expressed in thousands):

	Original Issue	Paid To Date	Amount To Be Paid
DSU	$ 120	$ 108	$ 12
LRSC	344	44	300
MaSU	2,024	113	1,911
MiSU	8,280	8,008	272
NDSU	24,306	14,448	9,858
UND	21,562	16,960	4,602
WSC	5,580	4,303	1,277

NORTH DAKOTA DEVELOPMENT FUND

The Board of Directors has approved equity investments, loans, grants, and guaranty of collections at June 30, 2003, for which funds have not been disbursed or written agreements entered into in the amount of $1,957,170.

OTHER CONSTRUCTION COMMITMENTS

Health Department	$ 2,586
Corrections	2,693
Adjutant General	837
Historical Society	1,173
Transportation	38,864

B. LITIGATION

The estimated loss in all of the litigation against the State in which a loss to the State is probable is estimated at zero. Litigation that is reasonably possible to result in an unfavorable outcome is estimated at $100,000 to $10,000,000.

The estimated gain in all the litigation brought by the State in which a gain is probable is estimated at $13,862,805. This amount was not accrued in these financial statements.

In November 1998, the North Dakota Attorney General joined forty-five other states and five territories in a settlement agreement against the nation's largest tobacco manufacturer. The Master Settlement Agreement includes base payments to states totaling $220.6 billion for the next 25 years, and continues in perpetuity. North Dakota's share of the settlement is expected to be $866 million over the next 25 years. The amount of the annual payment is subject to a number of modifications, including adjustments for inflation and usage volumes. Some of the adjustments may result in increases in the payments (inflation, for example), or other adjustments will likely cause decreases in the payments (e.g., volume adjustments). The net effect of these adjustments on future payments is unclear.

The State had not settled any cases before June 30, 2003, in which the settlement had not been paid as of June 30, 2003.

C. QUESTIONED COSTS

The State receives federal financial assistance which is subject to review and audit by the Office of the State Auditor and the federal government. This assistance is generally conditioned upon compliance with certain laws and regulations. Disallowed and questioned costs relating to federal assistance could become a liability to the State. The State estimates that the ultimate disallowances pertaining to federal assistance, if any, will be immaterial to its overall financial condition.

The single audit of the State of North Dakota for the two year period ending June 30, 2002, was completed in March of 2003. As a result of this audit, approximately $300,000 of identifiable questioned costs were noted. Also, there were several findings which had potentially significant, unknown, questioned costs. The State is cooperating with the federal government to resolve the findings and is optimistic these findings will not have a material impact on the State.

NOTE 18 - SUBSEQUENT EVENTS

HOUSING FINANCE AGENCY

Subsequent to June 30, 2003, the Agency began the process for the issuance of 2003 Series B Housing Finance Program Bonds. The 2003 Series B bond issuance will be in the amount of $50,000,000.

JOB SERVICE NORTH DAKOTA

On August 1, 2003, the administrative authority and the net assets of the Retirement Plan for Employees of Job Service North Dakota were transferred from JSND to the Public Employees Retirement System Board. This action was based on the passage of House Bill 1064 by the Fifty-eighth Legislative Assembly of North Dakota.

BUILDING AUTHORITY

On July 22, 3003, the Building Authority received authority from the Industrial Commission to issue and sell evidences of indebtedness to the Bank of North Dakota in an amount not to exceed $7,000,000 for the purpose of interim financing the ConnectND project approved during the 2003 legislative session. In August 2003, the Authority sold $5,932,000 of bond anticipation notes to the Bank of North Dakota.

In addition, on July 22, 2003, the Building Authority received authority from the Industrial Commission to issue 2003 Series C Bonds. The $20,000,000 will be used to repay the interim financing and fund the ConnectND project.

WATER COMMISSION

Subsequent to June 30, 2003, the Commission issued the remaining authorized, but unissued, 2002 A Series Bonds for the Southwest Pipeline, totaling $218,201.

MUNICIPAL BOND BANK

Subsequent to year end, the Industrial Commission approved the issuance of two separate bond series: (1) $26,795,000 State Revolving Fund Program Bonds, Series 2003 A; and (2) $1,495,000 Capital Financing Program Bonds, Series 2003 A. These bonds are for the express purpose of providing funds to political subdivisions for use in connection with various improvement, construction, and refinancing projects. The interest rates vary on these bonds from 2.00% to 5.00%, with maturity ranging from October 1, 2003, to October 1, 2023.

STUDENT LOAN TRUST

On July 1, 2003, the Trust purchased $39,824,000 of student loans from the Bank of North Dakota. Also, the Trust transferred $4,100,000 to the North Dakota Guaranteed Student Loan Program on September 23, 2003.

MAYVILLE STATE UNIVERSITY

In September 2003, MaSU issued $2.8 million of Facilities Revenue Bonds to finance renovation and expansion of the Fieldhouse. The revenue bonds will be

repaid from a one percent sales tax in the cities of Mayville and Portland and student fees.

VALLEY CITY STATE UNIVERSITY

On September 24, 2003, VCSU issued $3.3 million of revenue bonds to finance the renovation of Kolstoe Hall. The revenue bonds will be repaid with auxiliary revenues.

On September 3, 2003, VCSU signed a new $1.3 million lease agreement with GE Capital for the lease of laptop computers for student, staff, and faculty use. The lease amount attributable to the laptops used by students will be repaid with student technology fees and the remaining with campus operating funds.

STATE OF NORTH DAKOTA

Required Supplemental Information
Budgetary Comparison Schedule
General Fund
June 30, 2003

	Approved Budget 2001-2003 Biennium	Appropriation Adjustments 2001-2003 Biennium	Adjusted Budget 2001-2003 Biennium	Actual Biennium To Date Thru 6-30-03	Difference Uncollected/ Unspent Thru 6-30-03
Budgetary Fund Balance, July 1	$ 52,662,700	$ 12,167,965	$ 64,830,665	$ 73,147,806	$ 8,317,141
Resources (Inflows):					
Sales and Use Tax	643,705,000	(3,086,637)	640,618,363	640,618,363	-
Income Tax	555,286,000	(70,715,833)	484,570,167	484,570,167	-
Business Privilege Tax	4,800,000	1,457,389	6,257,389	6,257,389	-
Oil And Gas Production Tax	38,431,000	728,000	39,159,000	45,516,520	6,357,520
Oil Extraction Tax	23,569,000	(728,000)	22,841,000	24,048,705	1,207,705
Insurance Premium Tax	39,896,000	9,094,027	48,990,027	48,990,027	-
Cigarette, Cigar and Tobacco Tax	38,796,000	517,360	39,313,360	39,313,360	-
Wholesale Liquor Tax	10,540,543	615,291	11,155,834	11,155,834	-
Coal Conversion Tax	48,670,000	(1,791,489)	46,878,511	46,878,511	-
Gaming Tax	20,403,000	7,209,652	27,612,652	27,612,652	-
Department Fees and Collections	48,977,350	8,528,669	57,506,019	57,506,019	-
Mineral Leasing Fees	6,757,500	(316,987)	6,440,513	6,440,513	-
Motor Vehicle Excise Tax	113,531,000	6,061,232	119,592,232	119,592,232	-
Interest on Public Funds	21,011,000	(12,501,517)	8,509,483	8,509,483	-
Gas Tax Administration	1,363,392	-	1,363,392	1,363,392	-
Transfers In	90,578,922	18,491,376	109,070,298	109,070,297	(1)
Total Revenue Inflows	1,706,315,707	(36,437,467)	1,669,878,240	1,677,443,464	7,565,224
Amounts Available for Appropriation	1,758,978,407	(24,269,502)	1,734,708,905	1,750,591,270	(15,882,365)
Charges to Appropriations (Outflows):					
General Government:					
Homestead Credit	4,540,813	(47,679)	4,493,134	3,794,529	698,605
Governor's Office	2,419,645	(25,406)	2,394,239	2,380,245	13,994
Secretary of State	4,412,921	(41,320)	4,371,601	3,990,356	381,245
Office of Management and Budget	18,888,692	(1,694,430)	17,194,262	15,093,539	2,100,723
Information Technology	18,779,844	(197,189)	18,582,655	18,239,428	343,227
State Auditor	4,566,068	(23,132)	4,542,936	4,508,615	34,321
State Treasurer	2,626,334	(21,982)	2,604,352	2,579,389	24,963
Attorney General	14,804,385	(70,891)	14,733,494	14,410,290	323,204
Tax Department	17,721,663	(105,745)	17,615,918	16,227,080	1,388,838
Legislative Assembly	9,070,163	476,339	9,546,502	8,970,756	575,746
Legislative Council	7,373,402	752,544	8,125,946	7,058,201	1,067,745
Supreme Court	53,753,509	(214,411)	53,539,098	51,982,299	1,556,799
Education:					
Public Instruction	571,719,794	(5,959,658)	565,760,136	565,569,445	190,691
Independent Study	868,216	(9,116)	859,100	859,100	-
State Library	3,114,656	(10,478)	3,104,178	3,102,076	2,102
School for the Deaf	5,054,301	(28,278)	5,026,023	5,001,131	24,892
School for the Blind	2,114,991	(12,732)	2,102,259	2,101,390	869
Vocational Education	14,353,955	(135,967)	14,217,988	14,217,988	-
Health & Human Services:					
Dept. of Health	14,812,936	(39,731)	14,773,205	14,450,406	322,799
Veteran's Home	3,332,074	11,811	3,343,885	3,312,925	30,960
Indian Affairs Commission	336,059	(3,529)	332,530	331,470	1,060
Veteran's Affairs	493,530	(2,188)	491,342	491,153	189
Dept. of Human Services-Management	18,055,349	(514,026)	17,541,323	17,330,043	211,280
Dept. of Human Services-Economic Assistance	224,544,164	4,674,499	229,218,663	229,098,425	120,238
Dept. of Human Services-Program and Policy	30,198,755	(354,542)	29,844,213	29,440,982	403,231
Dept. of Human Services-Centers	95,653,092	(2,640,804)	93,012,288	92,677,476	334,812
Protection and Advocacy	776,548	21,509	798,057	798,049	8
Job Service	2,100,356	(22,054)	2,078,302	1,792,212	286,090
Regulatory:					
Industrial Commission	7,364,181	(63,030)	7,301,151	7,012,340	288,811
Labor Commission	848,422	(3,634)	844,788	844,730	58
Public Service Commission	3,857,005	(31,223)	3,825,782	3,768,411	57,371
Securities Commissioner	1,121,241	(10,085)	1,111,156	1,072,105	39,051
Public Safety and Corrections:					
Highway Patrol	19,613,659	(52,529)	19,561,130	18,978,265	582,865
State Radio	4,315,752	(29,782)	4,285,970	4,285,970	-
Division of Emergency Management	963,160	2,825,438	3,788,598	3,764,265	24,333
Corrections & Rehab	76,848,031	259,020	77,107,051	75,088,943	2,018,108
Adjutant General	9,440,964	(78,044)	9,362,920	9,276,343	86,577
Agriculture & Commerce:					
Department of Commerce	15,530,287	(187,743)	15,342,544	13,844,563	1,497,981
Department of Agriculture	4,371,396	(20,827)	4,350,569	4,350,538	31
State Fair	575,000	(6,038)	568,962	568,962	-
Natural Resources:					
Historical Society	7,179,402	631,959	7,811,361	7,330,830	480,531
Council on the Arts	982,428	(10,315)	972,113	966,058	6,055
Parks and Recreation	7,656,019	773,523	8,429,542	7,842,217	587,325
Water Commission	9,733,820	(21,728)	9,712,092	9,466,488	245,604
Transportation:					
Aeronautics Commission	550,000	(5,775)	544,225	544,225	-
Transfers Out	429,546,731	(4,245,093)	425,301,638	422,076,400	3,225,238
Total Charges to Appropriations	1,746,983,713	(6,514,492)	1,740,469,221	1,720,890,651	19,578,570
Ending Budgetary Fund Balance	$ 11,994,694	$ (17,755,010)	$ (5,760,316)	$ 29,700,619	$ 35,460,935

STATE OF NORTH DAKOTA

Required Supplemental Information
Budgetary Comparison Schedule
Budget to GAAP Reconciliation
General Fund
June 30, 2003

Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and for the General Fund Expenditures

Sources/Inflows of resources

Actual Amounts (budgetary basis) "total revenue inflows" from the budgetary comparison schedule	1,677,443,464
Back-out revenue from FY 2002	(794,700,874)
Differences-Budget to GAAP:	
The period of availability for revenue recognition for budget purposes differs from the GAAP basis.	(4,384,016)
Repayment received on loans receivable are revenue for Budget not GAAP	(8,498,791)
Reimbursement activity between state agencies is eliminated only for GAAP	(286,828)
Proceeds are recorded for new capital leases on GAAP, but not for Budget	423,401
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balance-governmental funds	$ 869,996,356

Uses/Outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	1,720,890,651
Back-Out Expenditures from FY 2002 (Includes correction of last years budgeted expenditures of $2,685,585)	(865,936,254)
Differences-Budget to GAAP:	
Estimated liabilities are recorded as expenditures for GAAP but not for Budget	3,192,054
New Loans issued are expenditures for Budget but not for GAAP	(420,267)
Reimbursement activity between state agencies is eliminated only for GAAP	(286,828)
GAAP, but not Budget expenditures are reduced by year end inventory balances	(104,748)
New capital leases are recorded as expenditures for GAAP, but not for Budget	423,401
Certain due to other funds are recorded under GAAP, but not for Budget	1,230,304
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balance-governmental funds	$ 858,988,313

STATE OF NORTH DAKOTA

Required Supplemental Information
Budgetary Comparison Schedule
Other Funds
June 30, 2003

	Approved Budget 2001-2003 Biennium	Appropriation Adjustments 2001-2003 Biennium	Adjusted Budget 2001-2003 Biennium	Actual Biennium To Date Thru 6-30-03	Difference Uncollected/ Unspent Thru 6-30-03
Budgetary Fund Balance, July 1	$ -	$ -	$ -	$ -	$ -
Resources (Inflows):					
Other Budgeted Income	3,102,425,905	304,855,793	3,407,281,698	2,902,594,503	(3,407,281,698)
Total Revenue Inflows	3,102,425,905	304,855,793	3,407,281,698	2,902,594,503	(3,407,281,698)
Amounts Available for Appropriation	3,102,425,905	304,855,793	3,407,281,698	2,902,594,503	504,687,195
Charges to Appropriations (Outflows):					
General Government:					
Governor's Office	-	2,371,938	2,371,938	1,333,023	1,038,915
Secretary of State	391,000	200,000	591,000	387,730	203,270
Information Technology	70,838,880	5,330,414	76,169,294	63,087,613	13,081,681
State Auditor	2,145,837	11,803	2,157,640	1,812,948	344,692
Attorney General	17,604,259	30,763	17,635,022	10,237,415	7,397,607
Tax Department	709,729	15,044	724,773	344,843	379,930
(Supreme Court	2,217,821	180,000	2,397,821	2,216,789	181,032
Education:					
Public Instruction	232,691,705	21,066,243	253,757,948	249,106,402	4,651,546
State Library	1,598,857	-	1,598,857	1,357,836	241,021
School for the Deaf	1,095,624	-	1,095,624	768,038	327,586
School for the Blind	1,357,821	-	1,357,821	981,203	376,618
Vocational Education	14,887,742	188,963	15,076,705	12,950,714	2,125,991
Health & Human Services:					
Dept. of Health	82,297,732	14,338,994	96,636,726	80,414,374	16,222,352
Veteran's Home	6,099,935	137,500	6,237,435	6,237,095	340
Dept. of Human Services-Management	39,770,529	157,655	39,928,184	33,739,838	6,188,346
Dept. of Human Services-Economic Assistance	755,413,744	65,705,044	821,118,788	805,648,842	15,469,946
Dept. of Human Services-Program and Policy	130,713,668	4,533,909	135,247,577	128,298,448	6,949,129
Dept. of Human Services-Centers	104,812,820	3,497,652	108,310,472	99,429,645	8,880,827
Protection and Advocacy	2,171,548	14,767	2,186,315	1,955,521	230,794
Job Service	58,611,804	4,057,553	62,669,357	57,972,020	4,697,337
Regulatory:					
Insurance Department	11,879,398	19,375	11,898,773	10,797,221	1,101,552
Industrial Commission	35,585,990	(668,675)	34,917,315	23,803,533	11,113,782
Labor Commission	229,962	81,464	311,426	310,719	707
Public Service Commission	5,724,433	74,052	5,798,485	4,292,902	1,505,583
Aeronautics Commission	14,577,544	1,958	14,579,502	3,049,654	11,529,848
Public Safety and Corrections:					
Highway Patrol	13,629,443	-	13,629,443	10,598,790	3,030,653
Radio Communications	524,432	91,183	615,615	558,583	57,032
Division of Emergency Management	69,870,828	21,961,245	91,832,073	73,152,412	18,679,661
Corrections & Rehab	25,133,099	796,287	25,929,386	14,218,618	11,710,768
Adjutant General	31,242,854	5,169,090	36,411,944	31,335,303	5,076,641
Agriculture & Commerce:					
Department of Commerce	43,653,725	7,142,085	50,795,810	44,923,179	5,872,631
Department of Agriculture	7,050,684	1,083,996	8,134,680	6,694,297	1,440,383
State Fair	20,000	-	20,000	20,000	-
Natural Resources:					
Historical Society	5,584,946	305,033	5,889,979	3,799,658	2,090,321
Council on the Arts	1,052,229	107,400	1,159,629	1,115,679	43,950
Game and Fish	35,319,641	1,961,335	37,280,976	34,758,732	2,522,244
Parks and Recreation	7,397,000	1,501,810	8,898,810	8,700,415	198,395
Water Commission	135,172,188	4,000,821	139,173,009	56,567,839	82,605,170
Transportation:					
Department of Transportation	739,918,943	76,040,043	815,958,986	694,621,050	121,337,936
Total Charges to Appropriations	2,708,998,394	241,506,744	2,950,505,138	2,581,598,921	368,906,217
Ending Budgetary Fund Balance	$ 393,427,511	$ 63,349,049	$ 456,776,560	$ 320,995,582	$ (3,776,187,915)

STATE OF NORTH DAKOTA

Required Supplemental Information
Budgetary Comparison Schedule
Budget to GAAP Reconciliation
Federal Fund
June 30, 2003

Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and for the Federal Fund Expenditures

Sources/Inflows of resources

Actual Amounts (budgetary basis) "total revenue inflows" from the budgetary comparison schedule	2,902,594,503
Perspective difference: Non-Federal fund revenues and FY 2002 federal revenue	(1,949,519,575)
Differences-Budget to GAAP:	
The period of availability for revenue recognition for budget purposes differs from the GAAP basis.	(4,368,290)
Repayment received on loans receivable are revenue for Budget not GAAP	(1,855)
Proceeds are recorded for new capital leases on GAAP, but not for Budget	26,400
Certain due from other funds are recorded under GAAP, but not for Budget	185,668
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balance-governmental funds	$ 948,916,851

Uses/Outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	2,581,598,921
Perspective difference: Non-Federal fund expenditures and FY 2002 federal expenditures	(1,628,523,993)
Differences-Budget to GAAP:	
Estimated liabilities are recorded as expenditures for GAAP but not for Budget	(8,674,425)
New Loans issued are expenditures for Budget but not for GAAP	(1,737,366)
GAAP, but not Budget expenditures are reduced by year end inventory balances	(4,393)
New capital leases are recorded as expenditures for GAAP, but not for Budget	26,400
Non-appropriated transfers are expenditures for GAAP, but not for Budget	(764,948)
Certain due to other funds are recorded under GAAP, but not for Budget	6,744,273
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balance-governmental funds	$ 948,664,469

Note to Required Supplemental Information
Budgetary Reporting
June 30, 2003

The Budgetary Comparison Schedules present comparisons of the original and revised legally adopted budgets with actual data on a budgetary basis for major funds. The only major fund with a legally adopted budget is the General Fund. All other funds are budgeted together as "Other Budgeted Funds." A budgetary schedule has been done for these other funds because they include budgeted amounts for the Federal Fund, which is a major special revenue fund. These amounts are reported on the schedule entitled "Other Funds." Only the agencies with federal funds are listed here along with any of their non-federal fund budgeted amounts.

North Dakota's Appropriation Acts include a dual legal level of budgetary control - one at the General Fund versus Other Budget Income level for each agency and one at the line item level for each agency. Line items are not separate between General Fund and Other Budgeted Income so that control is not presented in our budgetary comparison schedule for major funds. The legal level of control for all agencies is reported in a publication titled "State of North Dakota 2001-2003 Biennium Budget and Actual Detail (Budgetary Basis) For the Biennium Ended June 30, 2003." This budget information is available through the Office of Management and Budget, 600 East Boulevard Avenue, Dept. 110, Bismarck, ND 58505. For the 2001-2003 biennium there were general and federal fund supplemental appropriations of $180,115,080.

The Budgetary Comparison Schedule reports expenditures on a budgetary basis. The accounting principles applied for purposes of developing data on a budgetary basis differ from those used to present the financial statements in accordance with GAAP. Reconciliations of the two for the fiscal year ended June 30, 2003, for the General Fund and the Federal Fund are on the previous pages. The schedules reflect expenditures for the biennium, so the expenditures relating to fiscal year 2002 are backed out in the reconciliation. On the reconciliation for Federal Fund, the non-federal fund amounts are also backed out.

Nonmajor Governmental Funds

Special Revenue Funds

Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

AGRICULTURE

219 - Milk Marketing Fund
Accounts for revenues and expenditures associated with the general operation of the department. (NDCC 4-18.1)

224 - Alcohol Motor Vehicle Fuel Fund
Funds used for the enhancement of agricultural research, development, processing, and marketing. (NDCC 4-14.1)

260 - Minor Use Pesticide Fund
Accounts for registration and donations to the pesticide control board. (NDCC 4-35)

264 - Anhydrous Ammonia Storage Inspection Fund
Account for inspection fees collected which are related to the distribution of anhydrous ammonia. (NDCC 19-20.2)

306 – Stockmen's Association Fund
Accounts for revenues and expenditures associated with the general operation of the department. (NDCC 36-22)

308 - Agriculture Department Fund
Accounts for revenues and expenditures associated with the general operation of the department. (NDCC 4-01)

329 - Seed Department Fund
Accounts for revenues and expenditures associated with the general operation of the department. (NDCC 4-09, 4-10, and 4-11)

376 - Environment and Rangeland Protection Fund
To be used for rangeland improvement projects. (NDCC 19-18)

972 - Home Quarter Purchase Fund
This fund is for the subsidy of interest rates on home-quarter purchases. "Home-quarter" serves as the base unit of a farm and upon which the farm residence and buildings are located. (NDCC 6-09.10)

COMMODITY PROMOTION

208 - Soybean Council Fund
To promote the sale of North Dakota soybean products. (NDCC 4-10.5)

220 - Spud Fund
To promote the sale of North Dakota potato products. (NDCC 4-10.1)

221 - Turkey Promotion Fund
To promote the sale of North Dakota turkey products. (NDCC 4-13.1)

223 - Honey Promotion Fund
To promote the sale of North Dakota honey products. (NDCC 4-12.1)

227 - Dry Pea and Lentil Council Fund
To promote the sale of North Dakota dry pea and lentil bean products. (NDCC 4-10.7)

228 - Wheat Commission Fund
To promote the sale of North Dakota wheat products. (NDCC 4-28)

229 - Beef Commission Fund
To promote the sale of North Dakota beef products. (NDCC 4-34)

231 - Barley Growers Check-Off
To promote the sale of North Dakota barley products. (NDCC 4-10.4)

241 - Edible Bean Fund
To promote the sale of North Dakota edible bean products. (NDCC 4-10.3)

245 - Oilseed Fund
To promote the sale of North Dakota oilseed products. (NDCC 4-10.2)

270 - Corn Fund
To promote the sale of North Dakota corn products. (NDCC 4-10.6)

309 - Dairy Products Promotion Fund
To promote the sale of North Dakota dairy products. (NDCC 4-27)

COMMERCE

330 - Economic Development Commission Fund
Accounts for revenues and expenditures associated with the general operation of the economic development division. (NDCC 54-34)

342 – Community Services Fund
Accounts for revenues and expenditures associated with the general operation of the division of community services. (NDCC 54-44.5)

443 - Tourism Fund
Accounts for revenues and expenditures associated with the general operation of the tourism division. (NDCC 54-34.4)

CULTURAL AND NATURAL RESOURCES

216 - Non-Game Wildlife Fund
Funds used for the preservation, inventory, perpetuation, and conservation of non-game wildlife, natural areas, and nature preserves in this state. (NDCC 20.1-02)

234 - Fossil Excavation and Restoration Fund
Used for funds received by the geological survey for the excavation and restoration of fossils. (NDCC 54-17.4)

236 - State Waterbank Fund
Funds used for the purpose and implementation of wetland conservation and development plans. (NDCC 61-31)

249 - Surface Mine and Reclamation Fund
Funds used for the purpose of reclaiming land affected by surface coal mining operations. (NDCC 38-14.3)

253 - Historical Impact Emergency Fund
Used for emergency mitigation of adverse effects on cultural resources and historical buildings, structures, or objects in the state. (NDCC 55-02)

267 - Water Development Trust Fund
To be used to address the long-term water development and management needs of the state. (NDCC 54-27)

314 (934) - Lignite Research Fund
Funds used for contracts for land reclamation research projects and for research, development, and marketing of lignite and products derived from lignite. (NDCC 57-61)

317 - Oil and Gas Reservoir Data Fund
Funds used for defraying the costs of providing reservoir data compiled by the Industrial Commission to state, federal, and county departments and agencies, and members of the general public. (NDCC 38-08)

327 - State Historical Revolving Fund
Used for making investigations of permit applicants and for the management and analysis of records and artifacts. (NDCC 55-03)

377 - Historical Society Fund
Accounts for revenues and expenditures associated with the general operation of the department. (NDCC 55-02)

397 - Water Commission Fund
Accounts for revenues and expenditures associated with the general operation of the department. (NDCC 61-02)

399 - Arts and Humanities Fund
Accounts for revenues and expenditures associated with the general operation of the department. (NDCC 54-54)

415 - Historical Society Gift & Bequests Fund
All moneys coming into the hands of the State Historical Board as a grant, bequest, donation, etc., is deposited into this fund. Moneys must be paid out for the purposes prescribed by the donor and approved by the board. (NDCC 55-01)

445 - Abandoned Mine Reclamation Setaside Fund
To defray the administrative expenses of the program. (NDCC 38-14.2, effective 9/20/04)

448 - Abandoned Oil and Gas Reclamation Fund
Funds used for contracting the plugging of abandoned wells and for the reclamation of abandoned drilling and production sites, saltwater disposal pits, drilling fluid pits, and excess roads. (NDCC 38-08)

488 - Habitat and Depredation Fund
Funds used to improve private land habitats. (NDCC 20.1-02)

EDUCATION

206 (959) – Land Maintenance Fund
Ten percent of the income derived from state assets under control of the Board of University and School Lands to be used for the general operation of the department. (NDCC 15-03)

235 - Displaced Homemakers Fund
Funds for providing services for displaced homemakers. (NDCC 14-06.1)

271 - Vision Aids and Appliances Fund
Used by the School for the Blind to purchase and resell vision specific adaptive aids, devices and appliances to be used by blind and visually impaired persons resident in state. (NDCC 25-06)

274 – Independent Study Operating Fund
Accounts for the revenues and expenditures associated with the general operations of the Division of Independent Study. (NDCC 15-19)

353 - School for the Deaf Fund
Accounts for revenues and expenditures associated with the general operation of the department. (NDCC 25-01)

354 - School for the Blind Fund
Accounts for revenues and expenditures associated with the general operation of the department. (NDCC 25-01)

390 - Library Commission Fund
Accounts for revenues and expenditures associated with the general operation of the department. (NDCC 40-38)

391 - Public Instruction Fund
Accounts for revenues and expenditures associated with the general operation of the department. (NDCC 15.1-02)

393 – Vocational Education Fund
Accounts for revenues and expenditures associated with the general operation of the department. (NDCC 15-20.1)

440 - State Tuition Fund
Funds are to pay the amount apportioned among the several school districts of the state in proportion to the number of children of school age residing in each. (NDCC 15-44)

496 - Foundation Aid Stabilization Fund
Accounts for one-half of 20 percent of the revenue from oil extraction taxes collected and used to offset foundation aid reductions due to a revenue shortage. (Constitution of North Dakota, Art. X, Section 24)

702 - Department of Public Instruction-Printing Revolving Fund
Funds collected by the superintendent of public instruction as payment from schools for instructional materials developed and printed by the superintendent shall be paid into the printing revolving fund. (NDCC 15.1-03)

948 - School for the Blind - Federal Quota
Account for funds made available to buy text books from the American Printing House for the Blind Incorporated. (NDCC 15-59)

HEALTH AND HUMAN SERVICES

215 - Children's Services Coordinating Committee Fund
Accounts for revenues and expenditures associated with the general operation of the department. (NDCC 54-56)

254 - Employment of People With Disabilities Fund
This fund is for the development of job opportunities for disabled individuals in this state. (NDCC 39-01)

257 - Organ/Tissue Transplant Fund
To provide financial assistance to transplant patients. (NDCC 23-01)

258 - Quality Restoration Fund
Moneys recovered from parties responsible for an environmental emergency. Used for costs of environmental assessment, removal, corrective action, or monitoring as determined on a case-by-case basis. (NDCC 23-31)

313 - Environmental Health Practitioners License Administrators Fund
Accounts for revenues and expenditures associated with advisory board duties. (NDCC 43-43)

315 - ND Health Care Trust Fund
Funds to be used for long-term care reform. (NDCC 50-30)

316 - Community Health Trust Fund
To be used for community-based public health systems and other public health programs, including programs with emphasis on preventing or reducing tobacco usage in the state. (NDCC 54-27)

318 - Indian Affairs Commission Fund
Accounts for revenues and expenditures associated with the general operation of the department. (NDCC 54-36)

360 - Human Services Department Fund
Accounts for revenues and expenditures associated with the general operation of the department. (NDCC 50-06)

364 – Indian Affairs Printing Revolving Fund
Accounts for the revenues and expenses relating to the sale of publications produced and distributed by the Indian Affairs Commission. (NDCC 54-36)

370 - Health and Consolidated Laboratories Fund
Accounts for revenues and expenditures associated with the general operation of the department. (NDCC 23-01)

371 - Wastewater Operators Certificate Fund
The health department shall regulate waste treatment plants, water distribution systems, and wastewater treatment plants and provide operator training to protect the public health and prevent pollution of the waters of the state. (NDCC 23-26)

419 - Children's Trust Fund
To aid in the prevention of child abuse and neglect and developing child abuse prevention programs. (NDCC 50-27)

462 - Domestic Violence Prevention Fund
Used for grants to private nonprofit organizations that are engaged in providing emergency housing for victims of domestic violence and their dependents. (NDCC 14-03)

931 - Human Services Donor Implied Trust Fund
Funds donated with informal requests to be used for the welfare of the patients the department serves. (NDCC 15-67)

938 - State Hospital - Special Revenue Fund
Accounts for funds donated for the patients' religious and welfare needs. (NDCC 25-01)

996 - Developmental Center Residents Welfare Fund
Accounts for funds donated for the residents' needs. (NDCC 25-01)

JUDICIAL AND LEGAL

204 - Attorney General Asset Forfeiture Fund
Funds obtained from the authorized sale of assets seized and forfeited from narcotics investigations and arrests. (NDCC 54-12)

237 - Indigent Civil Legal Services Fund
Funds to provide legal services to persons unable to afford private counsel. (NDCC 54-06)

250 - Attorney General Refund Fund
Accounts for financial resources of the consumer fraud division. (NDCC 54-12)

278 – Racing Breeders Fund
Accounts for revenues that are used to award racehorse breeders. (NDCC 53-06.2)

290 – Racing Purse Fund
Revenues are used to supplement and improve purses offered at racetracks within the state. (NDCC 56-06.2)

312 - State Courts
Revenues are from a filing fee charged by the clerk of the supreme court. Moneys are used to procure the necessary records, supplies and furniture to be used by the supreme court. (NDCC 27-03)

322 - Attorney General Fund
Accounts for revenues and expenditures associated with the general operation of the department. (NDCC 54-12)

328 - Judicial Conduct Commission Fund
Funds to investigate complaints against any judge in the state and to conduct hearings concerning the discipline, removal, or retirement of any judge. (NDCC 27-23)

339 – Racing Promotion Fund
Revenues are used for the promotion of racing and for the operating expenses of the Racing Commission. (NDCC 53-06.2)

935 - Five State Judicial Council
Funds to provide an account for moneys related to the sponsoring of a judicial conference for justices and judges from the participating states. (OMB Policy 211)

LAND DEPARTMENT COAL AND MINERAL

493 (955) - Land and Minerals Trust:
Income derived from the sale, lease, and management of the mineral interests acquired by the Board of University and School Lands. (NDCC 15-08.1)

515(956) - Coal Development Trust
Revenues are from severance tax on coal. The fund is held in trust and administered by the Board of University and School Lands for loans to coal impacted political subdivisions. (NDCC 57-62)

LOCAL GOVERNMENT

238(925) - Energy Development Impact
Accounts for monies to be distributed through grants to coal impacted political subdivisions. (NDCC 57-62)

240 - Insurance Tax Distribution Fund
Accounts for financial resources for fire departments within the State. (NDCC 18-04)

400 - Highway Tax Distribution Fund
Accounts for collections of motor vehicle registration and related fees, fuels taxes, special fuels taxes, use taxes, and special fuels excise taxes that are allocated to counties, cities, and other political subdivisions for the construction and maintenance of highways. (NDCC 54-27)

401 - State Aid Distribution Fund
Accounts for a portion of sales, use, and motor vehicle excise taxes that are deposited into this fund and are allocated to local political subdivisions. (NDCC 57-39.2)

405 - Financial Institution Tax Distribution
Accounts for a tax imposed on each financial institution for distribution to counties. (NDCC 57-35.3)

412 - Coal Severance Tax Distribution Fund
Accounts for a portion of the tax imposed upon all coal severed for sale or for industrial purposes by coal mines to be distributed to counties. (NDCC 57-61)

416 - Federal Tax Replacement Fund
Accounts for collecting federal funds and distributes those funds back to counties for Flood Control, Taylor Grazing and National Forests. (NDCC 15-01)

420 - Cigarette Tax Distribution Fund
Accounts for a tax on cigarettes distributed on a per capita basis to the incorporated cities. (NDCC 57-36)

424 – Telecommunications Carriers Tax Fund
Accounts for the telecommunications carriers' tax that is allocated to counties. (NDCC 57-34)

427 - Oil and Gas Production Tax Distribution Fund
Accounts for a portion of real property tax on oil and gas producing mineral estates and interests to be allocated to counties. (NDCC 57-51)

431 - Transmission Line Tax Distribution Fund
Accounts for tax of transmission lines and the allocation to counties in which such transmission lines are located. (NDCC 57-33.1)

444 - Township Road and Bridge Fund
Moneys from the Township Highway Aid Fund and fifty percent matching funds based on the length of township roads in each organized township compared to the length of all township roads in the county. Used for highway and bridge purposes. (NDCC 54-27)

446 – Gaming and Excise Tax Allocation Fund
Accounts for a portion of gaming and excise taxes that are deposited in this fund for distribution to cities and counties. (NDCC 53-06.1)

454 - Coal Conversion Tax Trust Fund
Accounts for a portion of the tax paid monthly for the privilege of producing products of such coal conversion facility to be allocated to counties. (NDCC 57-60)

468 - Estate Tax Distribution Fund Monies collected from Estate Tax. Following the end of each calendar quarterly period the state treasurer shall pay over to the county treasurer of the appropriate county, for its general fund, the amount of tax collected on the transfer of the property in that county. (NDCC 57-37.1)

494 - Air Transportation Fund
Taxes imposed upon air transportation companies. Within ninety days after receipt the funds must be allocated and remitted by the state treasurer to the cities or municipal airport authorities where such transportation companies make regularly scheduled landings. (NDCC 57-32)

OIL TAX RESOURCES

469 - Oil Tax Resources Trust Fund
Funds to be used by the state water commission for planning for and construction of water-related projects, including rural water systems. (NDCC 57-51.1)

OTHER SPECIAL

212 - Statewide Conference
Accounts for revenues and expenditures for state agencies that have conferences. (OMB Policy 211)

246 - State Auditor's Operating Fund
Accounts for revenues and expenditures associated with the operations of the political subdivision of the Office. (NDCC 54-10)

251 - Capitol Grounds Planning Fund
Funds dedicated to implement the Capitol Grounds Master Plan for the development of the capitol grounds. (NDCC 48-10)

256 - Bicentennial Trust Fund
Fund to be used to commemorate and celebrate North Dakota's bicentennial. (NDCC 54-11)

259 - Legislative Services Fund
Accounts for fees received for providing legislative information services and copies of documents. (NDCC 54-35)

263 - Secretary of State General Services Fund
Accounts for revenues and expenditures relating to certain services provided by the department. (NDCC 54-09)

266 - Administrative Hearings Fund
Accounts for revenues and expenditures associated with the general operation of the department. (NDCC 54-57)

272 – Multistate Tax Commission Fund
Accounts for expenditures of the multistate tax commission. (2001 S.L., HB 1006)

302 – Athletic Commission Fund
Accounts for revenues and expenditures associated with the athletic advisory board. (NDCC 53-01)

304 - Governor's Special Fund
Moneys that have become available during the biennium from federal funds and private funds. (2001 S.L. ch. 1, Sec. 2,)

307 - Veterinary Medical Exam Fund
Fund used by the North Dakota state board of veterinary medical examiners for the purpose of licensing and policing the requirements of their industry. (NDCC 43-29)

384 - Jobs Training Program Fund
Accounts for projects established by job service North Dakota to provide workers with education and training required for jobs in new or expanding primary sector businesses in the state. (NDCC 52-02.1)

392 - Insurance Recoveries Property Fund
Funds from insurance claims for damaged or destroyed property are deposited into this fund. Agencies are allowed to incur expenditures to replace this property, but are limited by the amount collected and deposited into the fund. (NDCC 54-44.1)

460 - Preliminary Planning Revolving Loan Fund
Used for the prepayment of consulting and planning fees for new capital improvements and major remodeling of existing facilities. (NDCC 54-27)

603 - Concession Fund - State Historical Society
Funds received in the normal course of business from concession operations actually carried on by the state as a proprietor. All moneys are expended in the course of carrying on the business activities of such concession operations. (NDCC 55-02)

701 - Postage Revolving Fund
Fund collections from the state offices, departments, and agencies, for postage, shall be paid into the fund. (NDCC 48-06)

730 - Central Personnel Training Fund
Fund used for the coordination of employee training and development programs to state departments and agencies. (NDCC 54-44)

902 - Capitol Renovation Fund
Funds dedicated and reserved for the exclusive use of renovations needed to the capitol buildings and grounds. (NDCC 48-10)

968 - Job Service - Special Revenue
Accounts for revenues and expenditures associated with the general operation of the department. (NDCC 52-02)

997 – Capitol Building Fund
Accounts for moneys accumulated from the sale or leasing of any lands granted in the Enabling Act for the purpose of erecting public buildings at the capital for legislative, executive and judicial purposes. (The Enabling Act, Section 12)

PARTNERSHIP IN ASSISTING COMMUNITY EXPANSION (PACE) FUNDS

916 - Partnership in Assisting Community Expansion Fund
Fund to buy down the interest rate on loans made by a lead financial institution in participation with the Bank of North Dakota. (NDCC 6-09.14)

917 - Agricultural PACE Fund
Fund to reduce the interest rate on loans made for a farm business (i.e. purchase of real property and equipment, expansions, working capital and purchase of inventory). (NDCC 6-09.13)

PERMANENT OIL TAX TRUST

432 - Permanent Oil Tax Trust Fund
Accounts for oil and gas tax revenues in excess of the amount specified for deposit in the general fund. (NDCC 57-51.1)

PUBLIC SAFETY AND CORRECTIONS

214 - National Guard Emergency Fund
Funds used for costs of the national guard in performing emergency State services. (NDCC 37-01)

366 - Penitentiary - Land Replacement Fund
Fund used for the acquisition of additional land and facilities to maintain, expand, or relocate the state farm and the farming and ranching operations of the North Dakota state penitentiary and for penitentiary renovation. (NDCC 54-23.3)

372 - Crime Victims Gift Fund
All donations to the department of corrections and rehabilitation in the form of restitution funds, gifts, grants and bequests of property or money, and any interest accruing, must be placed in this fund. (NDCC 54-23.4)

373 - Radio Communications Fund
Accounts for revenues and expenditures associated with the general operation of the department. (NDCC 54-23.2)

375 - Emergency Management Fund
Accounts for revenues and expenditures associated with the general operation of the department. (NDCC 37-17.1)

378 - State Hazardous Chemicals Fund
Account for revenue collected from the state hazardous chemical fee system. (NDCC 37-17.1)

379 - Department of Corrections Operating
Accounts for revenues and expenditures associated with the general operation of the department. (NDCC 12-47)

383 - National Guard Fund
Accounts for revenues and expenditures associated with the general operation of the department. (NDCC 37-01)

385 - National Guard Military Grounds Fund
Funds used for the improvement of the properties for military uses. (NDCC 37-03)

RECREATION

222 - Game and Fish Department Fund
Accounts for the revenues and expenditures associated with the operation of the game and fish department. (NDCC 20.1-02)

261 - Snowmobile Fund
Fund for administering snowmobile safety programs and establishing and maintaining snowmobile facilities. (NDCC 39-24)

265 - State Parks Gift Fund
All donations to the state parks and recreation department in the form of gifts, trusts, and bequests of property or money, and any interest accruing thereon, must be placed in the fund. (NDCC 55-08)

398 - Parks and Recreation Fund
Accounts for revenues and expenditures associated with the general operation of the parks and recreation department. (NDCC 55-08)

441 - Trail Tax Transfer Fund
Fund used for all-terrain vehicle safety education and promotion. (NDCC 39-29)

602 - State Parks Concession Fund
Fund used for the procurement of supplies of a suitable nature for the operation of concession stands at the state parks. Also for repair, replacement construction, and maintenance of concession buildings, facilities, and properties. (NDCC 55-08)

STATE OF NORTH DAKOTA

REGULATORY

209 - Unsatisfied Judgment Fund
Funds to pay for damages occurring from a motor vehicle accident when a judgment has been rendered and the judgment debtor is unable to satisfy the claim. (NDCC 26.1-23)

233 - Petroleum Release Compensation Fund
Funds to provide for cleanup of petroleum spills through the establishment of a petroleum release compensation fund. (NDCC 23-37)

239 - Insurance Regulatory Trust Fund
Funds to defray the expenses of the insurance department in the discharge of its administrative and regulatory powers and duties. (NDCC 26.1-01)

242 - Financial Institution Regulatory Fund
Accounts for revenues and expenditures associated with the general operation of the department. (NDCC 6-01)

248 - Public Service Commission Valuation Fund
Accounts for revenues and expenditures associated with rate hearings, investigations and proceedings. The utility being investigated pays these expenses. (NDCC 49-02 and 49-21)

262 - Securities Protection Fund
Accounts for revenues and expenditures from civil penalties collected from securities enforcement actions. (NDCC 10-04)

280 – Performance Assurance Fund
Revenues received under the performance assurance plan are to be used to monitor the operation and effect of the plan. (NDCC 49-21)

305 - Industrial Commission Fund
Accounts for revenues and expenditures associated with the general operation of the department. (NDCC 4-36)

TRANSPORTATION

200 - Highway Fund
Accounts for revenues and expenditures associated with the general operation of the department. (NDCC 24-02)

202 - Abandoned Vehicle Fund
Funds used to dispose abandoned motor vehicles and other forms of scrap metal. (NDCC 39-26)

205 - Motorcycle Safety Fund
Motorcycle safety education fees used for promoting motorcycle safety. (NDCC 39-28)

217 – Motor Vehicle Registration Fund
Fees from dealer registrations are to be deposited in this fund. (NDCC 39-22)

225 – State Infrastructure Bank (SIB)
Funds for funding eligible projects as determined by agreement of the members of the multi-state infrastructure bank. (NDCC 24-02)

230 - Special Road Fund
Used for the construction and maintenance of access roads to and roads within recreational, tourist, and historical areas. (NDCC 24-02)

232 - Public Transportation Fund
A fee for each motor vehicle registered is deposited in this fund and is used to establish and maintain public transportation, especially for the elderly and handicapped. (NDCC 39-04.2)

324 - Aeronautics Commission Special Fund
This fund is unclaimed refund revenue collected by the aeronautics commissioner and shall be administered and expended by the aeronautics commission for construction, reconstruction, repair, maintenance, and operation of airports near communities, recreational areas, or parks and for necessary expenses and for the purchase of land and easements for such facilities. (NDCC 57-43.3)

VETERANS

368 - Veterans Aid Fund
The sum of seven hundred thousand dollars is a permanent revolving fund of the veterans' aid fund and is used solely for the purpose of making loans to veterans. (NDCC 37-14)

380 - Soldiers Home Fund
Accounts for revenues and expenditures associated with the general operation of the department. (NDCC 37-15)

410 - Veterans Postwar Trust Fund
Fund is utilized for programs of benefit and service to veterans or their dependents. (NDCC 37-14)

433 - Veterans Cemetery Fund
Funds used for the maintenance and operation of the Veteran's Cemetery. (NDCC 37-03)

491 - Veterans' Cemetery Trust Fund
Accounts for distinctive motor license plates fees for the operation of the Veterans' Cemetery. (NDCC 39-04)

941 – Commandant's Fund
A conglomerate of funds from interest, sales of crafts, bus charges, cable television, and donations to the home from the many organizations that donate to the home. These donations are earmarked for a specific use or purpose. (NDCC 37-15)

Capital Projects Funds

A capital projects fund is used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

BUILDING AUTHORITY

960 - Building Authority Capital Projects Fund
Account for the acquisition or construction of buildings primarily for use by the State and making any improvements connected to those buildings. (NDCC 54-17.2)

WATER COMMISSION

961 - Water Commission - Capital Projects Fund
Account for the construction of water related projects, including rural water systems. (NDCC 61-02)

Debt Service Funds

A debt service fund is used to account for accumulation for resources for, and the payment of, principal and interest on long-term debt.

BUILDING AUTHORITY

919 - Building Authority Debt Service Fund
Account for accumulation of resources for, and the payment of, principal and interest on bonds issued by the North Dakota Building Authority. (NDCC 54-17.2)

LIGNITE RESEARCH

928 - Lignite Research Debt Service Fund
Account for accumulation of resources for, and the payment of, principal and interest on bonds issued by the Industrial Commission of North Dakota to assist Dakota Gasification Company with the funding of construction of an anhydrous ammonia plant. (NDCC 54-17.5)

WATER COMMISSION

962 - Water Commission Debt Service Fund
Account for accumulation of resources for, and the payment of, principal and interest on bonds issued by the State Water Commission. (NDCC 61-02)

STATE OF NORTH DAKOTA

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2003

	Special Revenue Funds					
	Agriculture	Commodity Promotion	Commerce	Cultural and Natural Resources	Education	Health and Human Services
ASSETS						
Cash Deposits at the Bank of ND	$ 5,723,016	$ 2,121,892	$ 4,631,959	$ 26,745,079	$ 11,824,700	$ 31,510,324
Cash and Cash Equivalents	202,480	1,499,560	24,355	3,385	333,232	1,043,244
Investments at the Bank of ND	545,712	-	2,700,000	2,168,948	-	18,709,333
Investments	-	1,191,998	-	295,000	-	-
Accounts Receivable - Net	165,733	1,423,836	2,302	11,330	3,641,995	5,767,366
Taxes Receivable - Net	19,738	-	-	50,788	248,984	295
Interest Receivable - Net	115	2,859	316,574	5,774	-	127,947
Intergovernmental Receivable - Net	-	-	-	141,834	-	957,925
Due from Other Funds	92,641	1,196	982	441,868	32,846	18,149,777
Prepaid Items	-	-	-	360,014	-	-
Inventory	-	-	-	-	158,763	-
Loans and Notes Receivable - Net	3,829	-	10,741,323	3,969,680	-	7,498,561
Total Assets	$ 6,753,264	$ 6,241,341	$ 18,417,495	$ 34,193,700	$ 16,240,520	$ 83,764,772
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts Payable	$ 745,345	$ 951,735	$ 48,372	$ 3,813,086	$ 145,653	$ 4,556,103
Accrued Payroll	160,331	94,470	4,470	42,737	314,822	169,175
Securities Lending Collateral	-	-	-	-	-	-
Interest Payable	-	-	-	-	-	-
Intergovernmental Payable	-	-	-	-	-	-
Tax Refunds Payable	-	-	-	-	-	-
Due to Other Funds	121,901	4,882	65,234	437,695	583,305	11,256,448
Contracts Payable	-	-	-	342,902	-	-
Claims/Judgments Payable	-	-	-	-	-	-
Compensated Absences Payable	-	-	-	-	-	-
Deferred Revenue	74,749	-	-	1,059	1,243,936	-
Total Liabilities	1,102,326	1,051,087	118,076	4,637,479	2,287,716	15,981,726
Fund Balances:						
Reserved for:						
Inventory	-	-	-	-	158,763	-
Long - Term Receivables	3,829	-	9,436,150	3,969,680	-	7,325,999
Capital Projects	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-
Prepaid Expenditures	-	-	-	360,014	-	-
Legal Requirements	-	-	-	-	-	-
Unreserved:						
Designated for:						
Fund Activities	-	-	-	-	-	-
Patients Welfare	-	-	-	-	-	502,577
Unreserved, Reported in :						
Special Revenue Funds	5,647,109	5,190,254	8,863,269	25,226,527	13,794,041	59,954,470
Total Fund Balances	5,650,938	5,190,254	18,299,419	29,556,221	13,952,804	67,783,046
Total Liabilities and Fund Balances	$ 6,753,264	$ 6,241,341	$ 18,417,495	$ 34,193,700	$ 16,240,520	$ 83,764,772

(Continued on the Next Page)

Special Revenue Funds							
Judicial and Legal	Land Department Coal and Mineral	Local Government	Oil Tax Resources	Other Special	PACE Fund	Permanent Oil Tax Trust
$ 9,696,122	$ 1,071,206	$ 33,447,942	$ 20,121,420	$ 2,875,948	$ 11,574,233	$ 5,235,536
15,945	-	525,274	-	18,834	-	-
3,923	-	-	-	770,189	-	-
-	21,814,325	-	-	309,851	-	-
119,045	-	18	3,536	30,873	-	-
700	256,754	35,952,748	497,966	255,225	-	-
2,289	254,535	-	58,359	159,177	-	-
-	-	-	-	127,607	-	-
96,065	142,219	-	5,515	89,192	-	7,565,225
-	-	-	-	-	1,127,257	-
-	-	-	-	286,631	-	-
-	33,930,245	-	5,638,028	-	-	-
$ 9,934,089	$ 57,469,284	$ 69,925,982	$ 26,324,824	$ 4,923,527	$ 12,701,490	$ 12,800,761
$ 125,361	$ 7,965	$ -	$ -	$ 218,357	$ -	$ -
93,470	-	-	-	133,272	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	19,955,880	-	-	-	-
-	-	21	-	-	-	-
58,680	355,614	-	-	41,524	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
11,973	-	8,005,420	-	127,527	-	-
289,484	363,579	27,961,321	-	520,680	-	-
-	-	-	-	286,631	-	-
-	31,689,844	-	5,347,508	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	1,127,257	-
-	-	-	-	-	8,957,710	-
3,946	-	-	-	-	2,616,523	-
-	-	-	-	-	-	-
9,640,659	25,415,861	41,964,661	20,977,316	4,116,216	-	12,800,761
9,644,605	57,105,705	41,964,661	26,324,824	4,402,847	12,701,490	12,800,761
$ 9,934,089	$ 57,469,284	$ 69,925,982	$ 26,324,824	$ 4,923,527	$ 12,701,490	$ 12,800,761

STATE OF NORTH DAKOTA

Combining Balance Sheet
Nonmajor Governmental Funds (Continued)
June 30, 2003

	Special Revenue Funds					
	Public Safety and Corrections	Recreation	Regulatory	Transportation	Veterans	Total
ASSETS						
Cash Deposits at the Bank of ND	$ 2,652,274	$ 8,998,667	$ 4,117,343	$ 59,955,770	$ 680,258	$ 242,983,689
Cash and Cash Equivalents	4,173	285,890	201	128,318	213,037	4,297,928
Investments at the Bank of ND	-	15,360,812	-	-	-	40,258,917
Investments	-	-	10,232,511	-	4,104,892	37,948,577
Accounts Receivable - Net	906,855	132,911	135,538	-	167,826	12,509,164
Taxes Receivable - Net	-	-	-	6,171,555	-	43,454,753
Interest Receivable - Net	-	1,143	242	135,347	16,736	1,081,097
Intergovernmental Receivable - Net	3,420	-	-	1,623,403	-	2,854,189
Due from Other Funds	595,326	4,445,029	89,643	7,714,775	1,838	39,464,137
Prepaid Items	-	-	-	372,204	-	1,859,475
Inventory	-	67,969	124,346	4,017,269	-	4,654,978
Loans and Notes Receivable - Net	-	-	-	4,602,761	335,000	66,719,427
Total Assets	$ 4,162,048	$ 29,292,421	$ 14,699,824	$ 84,721,402	$ 5,519,587	$ 498,086,331
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts Payable	$ 239,587	$ 1,709,542	$ 34,213	$ 8,992,580	$ 14,006	$ 21,601,905
Accrued Payroll	35,976	708,194	252,364	4,419,509	3,184	6,431,974
Securities Lending Collateral	-	-	1,215,177	-	56,294	1,271,471
Interest Payable	-	-	-	-	-	-
Intergovernmental Payable	-	-	-	72,016	-	20,027,896
Tax Refunds Payable	-	-	-	401,075	-	401,096
Due to Other Funds	317,663	1,498,652	1,840,392	1,949,455	1,193	18,532,638
Contracts Payable	-	-	-	959,749	-	1,302,651
Claims/Judgments Payable	-	-	569,339	55,743	-	625,082
Compensated Absences Payable	-	114,919	-	188,264	-	303,183
Deferred Revenue	267,450	-	51,139	14,404	2,226	9,799,883
Total Liabilities	860,676	4,031,307	3,962,624	17,052,795	76,903	80,297,779
Fund Balances:						
Reserved for:						
Inventory	-	67,969	124,346	4,017,269	-	4,654,978
Long - Term Receivables	-	-	-	3,948,793	198,298	61,920,101
Capital Projects	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-
Prepaid Expenditures	-	-	-	372,204	-	1,859,475
Legal Requirements	-	-	-	-	-	8,957,710
Unreserved:						
Designated for:						
Fund Activities	-	-	-	-	-	2,620,469
Patients Welfare	-	-	-	-	583	503,160
Unreserved, Reported in :						
Special Revenue Funds	3,301,372	25,193,145	10,612,854	59,330,341	5,243,803	337,272,659
Total Fund Balances	3,301,372	25,261,114	10,737,200	67,668,607	5,442,684	417,788,552
Total Liabilities and Fund Balances	$ 4,162,048	$ 29,292,421	$ 14,699,824	$ 84,721,402	$ 5,519,587	$ 498,086,331

Debt Service Funds				Capital Projects Funds			Total Nonmajor Governmental Funds
Building Authority	Lignite Research	Water Commission	Total	Building Authority	Water Commission	Total	
$ 821,000	$ 45	$ 3,277,814	$ 4,098,859	$ 17,529,000	$ -	$ 17,529,000	$ 264,611,548
-	-	1,885,692	1,885,692	-	88,489	88,489	6,272,109
10,429,000	882,500	-	11,311,500	-	-	-	51,570,417
-	-	-	-	-	-	-	37,948,577
-	-	-	-	-	-	-	12,509,164
-	-	-	-	-	-	-	43,454,753
-	-	89,638	89,638	-	49	49	1,170,784
-	-	32,722	32,722	-	811,571	811,571	3,698,482
36,000	6,785	-	42,785	-	-	-	39,506,922
-	-	-	-	-	-	-	1,859,475
-	-	-	-	-	-	-	4,654,978
-	-	-	-	-	-	-	66,719,427
$ 11,286,000	$ 889,330	$ 5,285,866	$ 17,461,196	$ 17,529,000	$ 900,109	$ 18,429,109	$ 533,976,636
$ 71,000	$ -	$ -	$ 71,000	$ 60,391	$ 897,921	$ 958,312	$ 22,631,217
-	-	-	-	-	-	-	6,431,974
-	-	-	-	-	-	-	1,271,471
20,000	-	-	20,000	-	-	-	20,000
-	-	-	-	-	-	-	20,027,896
-	-	-	-	-	-	-	401,096
-	-	-	-	1,367,609	-	1,367,609	19,900,247
-	-	-	-	-	-	-	1,302,651
-	-	-	-	-	-	-	625,082
-	-	-	-	-	-	-	303,183
-	-	-	-	-	-	-	9,799,883
91,000	-	-	91,000	1,428,000	897,921	2,325,921	82,714,700
-	-	-	-	-	-	-	4,654,978
-	-	-	-	-	-	-	61,920,101
-	-	-	-	16,101,000	2,188	16,103,188	16,103,188
11,195,000	889,330	5,285,866	17,370,196	-	-	-	17,370,196
-	-	-	-	-	-	-	1,859,475
-	-	-	-	-	-	-	8,957,710
-	-	-	-	-	-	-	2,620,469
-	-	-	-	-	-	-	503,160
-	-	-	-	-	-	-	337,272,659
11,195,000	889,330	5,285,866	17,370,196	16,101,000	2,188	16,103,188	451,261,936
$ 11,286,000	$ 889,330	$ 5,285,866	$ 17,461,196	$ 17,529,000	$ 900,109	$ 18,429,109	$ 533,976,636

STATE OF NORTH DAKOTA

Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2003

	Special Revenue Funds					
	Agriculture	Commodity Promotion	Commerce	Cultural and Natural Resources	Education	Health and Human Services
REVENUES						
Individual and Corporate Income Taxes	$ -	$ -	$ -	$ -	$ -	$ 14,269
Sales and Use Taxes	1,487,861	-	1,776	-	-	-
Oil, Gas, and Coal Taxes	-	-	-	622,320	2,337,718	-
Business Taxes	189,897	-	-	-	-	-
Licenses, Permits and Fees	1,357,040	-	48,805	868,132	-	1,349,158
Intergovernmental	-	-	-	152,593	-	3,590
Sales and Services	2,066,954	7,766	92,686	1,991,165	3,729,157	13,410,051
Royalties and Rents	-	-	-	-	186,122	193,921
Fines and Forfeits	7,250	753	-	15,000	5,373,477	-
Interest and Investment Income	23,029	52,704	441,036	593,671	-	(103,993)
Tobacco Settlement	-	-	-	12,085,043	-	2,685,565
Commodity Assessments	-	10,221,202	-	-	-	-
Miscellaneous	24,452	87,263	2,824	349,732	113,957	1,298,209
Total Revenues	5,156,483	10,369,688	587,127	16,677,656	11,740,431	18,850,770
EXPENDITURES						
Current:						
General Government	-	-	-	-	-	-
Education	-	-	-	-	44,242,235	-
Health and Human Services	129,465	-	-	99,757	-	65,613,291
Regulatory	-	-	-	250,653	-	-
Public Safety and Corrections	-	-	-	-	-	-
Agriculture and Commerce	6,072,438	10,656,146	1,261,965	1,241,962	-	-
Natural Resources	-	-	-	18,258,140	-	-
Transportation	-	-	-	-	-	-
Intergovernmental - Revenue Sharing	-	-	-	-	-	-
Capital Outlay	40,678	-	-	7,282,862	-	1,483,043
Debt Service:						
Principal	1,139	-	-	-	-	-
Interest and Other Charges	-	-	-	-	-	-
Total Expenditures	6,243,720	10,656,146	1,261,965	27,133,374	44,242,235	67,096,334
Revenues Over (Under) Expenditures	(1,087,237)	(286,458)	(674,838)	(10,455,718)	(32,501,804)	(48,245,564)
OTHER FINANCING SOURCES (USES)						
Bonds and Notes Issued	-	-	-	-	-	-
Refunding Bonds Issued	-	-	-	-	-	-
Payment to Refund Bond Escrow Agent	-	-	-	-	-	-
Payment on Refunded Bonds	-	-	-	-	-	-
Capital Lease Acquistions	-	-	-	-	-	-
Sale of Capital Assets	35,000	-	-	-	-	-
Other	-	-	-	-	-	-
Transfers In	512,952	-	599,744	3,741,604	34,734,200	39,599,238
Transfers Out	(620,000)	(413,155)	(37,842)	(13,426,141)	(5,529,755)	(1,769,395)
Total Other Financing Sources (Uses)	(72,048)	(413,155)	561,902	(9,684,537)	29,204,445	37,829,843
Net Change in Fund Balances	(1,159,285)	(699,613)	(112,936)	(20,140,255)	(3,297,359)	(10,415,721)
Fund Balances - Beginning of Year, as Adjusted	6,810,223	5,889,867	18,412,355	49,696,476	17,250,163	78,198,767
Fund Balances - End of Year	$ 5,650,938	$ 5,190,254	$ 18,299,419	$ 29,556,221	$ 13,952,804	$ 67,783,046

(Continued on the Next Page)

Special Revenue Funds						
Judicial and Legal	Land Department Coal and Mineral	Local Government	Oil Tax Resources	Other Special	PACE Fund	Permanent Oil Tax Trust
$ -	$ -	$ 6,129,846	$ -	$ 1,164,394	$ -	$ -
-	-	77,663,567	-	-	-	-
-	3,500,548	30,312,613	4,675,434	-	-	-
2,349,469	-	19,365,896	-	418	-	-
59,415	-	15,726,086	-	55,698	-	-
-	-	99,668	-	79,314	-	-
1,406,681	-	-	458,780	2,069,894	-	-
-	1,411,784	-	7,647	92,581	-	-
873,369	-	79	-	27,500	-	-
51,394	2,073,641	-	423,341	252,771	379,139	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
48,295	-	-	-	901,123	-	-
4,788,623	6,985,973	149,297,755	5,565,202	4,643,693	379,139	-
3,611,669	158,965	-	-	2,615,276	-	-
-	-	-	-	79,418	-	-
-	-	-	-	391,939	-	7,943,762
915,983	-	-	-	220,187	-	-
192,416	-	-	-	495,350	-	-
-	-	-	-	122,342	3,086,554	-
-	-	-	458,780	636,553	-	-
-	-	-	-	447,108	-	-
-	-	148,181,078	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
4,720,068	158,965	148,181,078	458,780	5,008,173	3,086,554	7,943,762
68,555	6,827,008	1,116,677	5,106,422	(364,480)	(2,707,415)	(7,943,762)
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	39,350	-	-
-	-	-	-	-	-	-
-	721,368	-	-	254,532	-	7,565,225
(140,511)	(8,684,470)	-	(1,291,220)	(163,325)	(839,250)	-
(140,511)	(7,963,102)	-	(1,291,220)	130,557	(839,250)	7,565,225
(71,956)	(1,136,094)	1,116,677	3,815,202	(233,923)	(3,546,665)	(378,537)
9,716,561	58,241,799	40,847,984	22,509,622	4,636,770	16,248,155	13,179,298
$ 9,644,605	$ 57,105,705	$ 41,964,661	$ 26,324,824	$ 4,402,847	$ 12,701,490	$ 12,800,761

STATE OF NORTH DAKOTA

Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Governmental Funds (Continued)
For the Fiscal Year Ended June 30, 2003

	Special Revenue Funds					
	Public Safety and Corrections	Recreation	Regulatory	Transportation	Veterans	Total
REVENUES						
Individual and Corporate Income Taxes	$ -	$ -	$ -	$ -	$ -	$ 7,308,509
Sales and Use Taxes	-	235,833	-	69,075,246	-	148,464,283
Oil, Gas, and Coal Taxes	-	-	-	-	-	41,448,633
Business Taxes	-	-	13,598	-	-	21,919,278
Licenses, Permits and Fees	111,950	10,536,062	4,329,638	44,857,934	21,940	79,321,858
Intergovernmental	62,335	4,000	77,851	709,751	-	1,189,102
Sales and Services	1,315,315	1,660,301	1,891,135	414,587	1,328,093	31,842,565
Royalties and Rents	268,378	29,901	-	307,928	670	2,498,932
Fines and Forfeits	-	8,922	98,853	-	-	6,405,203
Interest and Investment Income	-	345	622,950	561,276	101,121	5,472,425
Tobacco Settlement	-	-	-	-	-	14,770,608
Commodity Assessments	-	-	-	-	-	10,221,202
Miscellaneous	62,867	109,785	799	324,949	435,620	3,759,875
Total Revenues	1,820,845	12,585,149	7,034,824	116,251,671	1,887,444	374,622,473
EXPENDITURES						
Current:						
General Government	-	-	-	-	-	6,385,910
Education	-	-	-	-	-	44,321,653
Health and Human Services	-	-	-	110,589	1,551,986	75,840,789
Regulatory	-	-	5,440,672	-	-	6,827,495
Public Safety and Corrections	3,062,633	-	-	6,158,719	185,577	10,094,695
Agriculture and Commerce	-	-	-	-	-	22,441,407
Natural Resources	-	10,493,075	-	-	-	29,846,548
Transportation	-	-	-	86,891,837	-	87,338,945
Intergovernmental - Revenue Sharing	-	-	-	-	-	148,181,078
Capital Outlay	559,367	316,487	-	17,649,714	45,011	27,377,162
Debt Service:						
Principal	-	-	-	693,168	-	694,307
Interest and Other Charges	-	-	-	-	-	-
Total Expenditures	3,622,000	10,809,562	5,440,672	111,504,027	1,782,574	459,349,989
Revenues Over (Under) Expenditures	(1,801,155)	1,775,587	1,594,152	4,747,644	104,870	(84,727,516)
OTHER FINANCING SOURCES (USES)						
Bonds and Notes Issued	-	-	-	-	-	-
Refunding Bonds Issued	-	-	-	-	-	-
Payment to Refund Bond Escrow Agent	-	-	-	-	-	-
Payment on Refunded Bonds	-	-	-	-	-	-
Capital Lease Acquistions	12,000	-	-	-	-	12,000
Sale of Capital Assets	87,693	-	30	64,512	4,500	231,085
Other	-	-	-	874	-	874
Transfers In	2,567,078	264,458	61,856	12,514	165,170	90,799,939
Transfers Out	-	(11,507)	(1,879,306)	(371,322)	(142,122)	(35,319,321)
Total Other Financing Sources (Uses)	2,666,771	252,951	(1,817,420)	(293,422)	27,548	55,724,577
Net Change in Fund Balances	865,616	2,028,538	(223,268)	4,454,222	132,418	(29,002,939)
Fund Balances - Beginning of Year, as Adjusted	2,435,756	23,232,576	10,960,468	63,214,385	5,310,266	446,791,491
Fund Balances - End of Year	$ 3,301,372	$ 25,261,114	$ 10,737,200	$ 67,668,607	$ 5,442,684	$ 417,788,552

Debt Service Funds				Capital Projects Funds			
Building Authority	Lignite Research	Water Commission	Total	Building Authority	Water Commission	Total	Total Nonmajor Governmental Funds
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 7,308,509
-	-	-	-	-	-	-	148,464,283
-	-	-	-	-	-	-	41,448,633
-	-	-	-	-	-	-	21,919,278
-	-	-	-	-	-	-	79,321,858
-	-	-	-	-	-	-	1,189,102
-	-	1,909,975	1,909,975	-	-	-	33,752,540
-	-	-	-	-	-	-	2,498,932
-	-	-	-	-	-	-	6,405,203
375,000	55,286	232,784	663,070	245,000	14,089	259,089	6,394,584
-	-	-	-	-	-	-	14,770,608
-	-	-	-	-	-	-	10,221,202
-	-	-	-	-	-	-	3,759,875
375,000	55,286	2,142,759	2,573,045	245,000	14,089	259,089	377,454,607
-	-	-	-	-	-	-	6,385,910
-	-	-	-	-	-	-	44,321,653
-	-	-	-	-	-	-	75,840,789
-	-	-	-	-	-	-	6,827,495
-	-	-	-	-	-	-	10,094,695
-	-	-	-	-	-	-	22,441,407
-	-	-	-	-	-	-	29,846,548
-	-	-	-	-	-	-	87,338,945
-	-	-	-	-	-	-	148,181,078
-	-	-	-	1,307,000	3,153,774	4,460,774	31,837,936
4,655,000	845,000	1,353,210	6,853,210	-	-	-	7,547,517
5,725,000	200,170	2,478,097	8,403,267	-	-	-	8,403,267
10,380,000	1,045,170	3,831,307	15,256,477	1,307,000	3,153,774	4,460,774	479,067,240
(10,005,000)	(989,884)	(1,688,548)	(12,683,432)	(1,062,000)	(3,139,685)	(4,201,685)	(101,612,633)
2,207,000	-	-	2,207,000	10,671,000	1,637,599	12,308,599	14,515,599
43,374,000	-	-	43,374,000	-	-	-	43,374,000
(16,224,000)	-	-	(16,224,000)	-	-	-	(16,224,000)
(28,100,000)	-	-	(28,100,000)	-	-	-	(28,100,000)
-	-	-	-	-	-	-	12,000
-	-	-	-	-	-	-	231,085
-	-	-	-	-	-	-	874
8,228,000	1,021,034	2,388,223	11,637,257	830,000	-	830,000	103,267,196
-	-	-	-	(4,092,000)	(506,894)	(4,598,894)	(39,918,215)
9,485,000	1,021,034	2,388,223	12,894,257	7,409,000	1,130,705	8,539,705	77,158,539
(520,000)	31,150	699,675	210,825	6,347,000	(2,008,980)	4,338,020	(24,454,094)
11,715,000	858,180	4,586,191	17,159,371	9,754,000	2,011,168	11,765,168	475,716,030
$ 11,195,000	$ 889,330	$ 5,285,866	$ 17,370,196	$ 16,101,000	$ 2,188	$ 16,103,188	$ 451,261,936

Nonmajor Enterprise Funds

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises—where the intent of the State is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the State has decided that periodic determination of net income is appropriate for accountability purposes.

BEGINNING FARMER REVOLVING LOAN

973 - Beginning Farmer Revolving Loan Fund
Fund used to make loans to North Dakota beginning farmers for the purchase of agricultural real estate. (NDCC 6-09)

BONDING

210 (924) - State Bonding Fund
Fund used to maintain the bonding of public employees and officials of the state, county, city or other unit of local government. (NDCC 26-1.01)

COMMUNITY WATER FACILITY LOAN

974 - Community Water Facility Loan Fund
Accounts for supplementary financing in conjunction with federal moneys available to improve adequate water supplies. (NDCC 6-09.5)

DEVELOPMENTALLY DISABLED FACILITY LOAN

971 - Developmentally Disabled Facility Loan Fund
Accounts for loans to nonprofit corporations for costs related to facilities for developmentally disabled, chronically mentally ill, and physically disabled persons. (NDCC 6-09.6)

FIRE AND TORNADO

211 (923) - State Fire and Tornado Fund
Accounts for state agencies and political subdivisions to insure against loss to the public buildings, fixtures and permanent contents therein, through fire, lightning, windstorm, etc. (NDCC 26.1-22)

GUARANTEED STUDENT LOAN

969 - North Dakota Guaranteed Student Loan
Accounts for the revenues and expenses associated with the administration, development and operation of the guaranteed loan program. (NDCC 15-62.1)

MILL AND ELEVATOR

970 - North Dakota Mill and Elevator
Accounts for the financial resources of the ND Mill and Elevator Association. (NDCC 54-18)

PERS UNIFORM GROUP INSURANCE

980 - Public Employees Retirement System Group Insurance
Accounts for the administrative revenues and expenses associated with this insurance purchasing pool. (NDCC 54-52)

ROUGHRIDER INDUSTRIES

926 - Roughrider Industries
Accounts for the revenues and expenses associated with the operation, manufacture and sale of products made by the prison inmates. (NDCC 12-48)

STATE FAIR

601 (977) - State Fair
Accounts for revenues and expenditures associated with the operation of the State Fair. (NDCC 4-02.1)

STUDENT LOAN

975 - North Dakota Student Loan Trust
Accounts for loans to students in post secondary education. The trust acquires eligible loans guaranteed or insured by the United States government or the North Dakota Guaranteed Student Loan Program. (NDCC 6-09)

UNEMPLOYMENT COMPENSATION FUND

967 – Job Service-Expendable Trust Fund
Accounts for State unemployment taxes collected from employers for the purpose of paying unemployment benefits. (NDCC 52-09)

STATE OF NORTH DAKOTA

Combining Statement of Net Assets
Nonmajor Enterprise Funds
June 30, 2003

	Beginning Farmer Revolving Loan	Bonding	Community Water Facility Loan	Developmentally Disabled Facility Loan	Fire and Tornado
ASSETS					
Current Assets:					
Cash Deposits at the Bank of ND	$ 7,692,936	$ 539,610	$ 2,108,433	$ 146,156	$ 1,682,503
Cash and Cash Equivalents	-	-	-	-	-
Investments at the Bank of ND	-	-	-	-	-
Investments	-	5,222,641	-	-	16,577,941
Accounts Receivable - Net	-	48,409	-	-	66,018
Interest Receivable - Net	314,521	30,317	163,821	23,014	130,545
Intergovernmental Receivable - Net	-	-	-	-	-
Due from Other Funds	-	89	-	-	876
Due from Fiduciary Funds	-	-	-	-	-
Prepaid Items	728,737	-	-	-	-
Inventory	-	-	-	-	-
Loans and Notes Receivable - Net	1,298,306	-	405,015	789,782	-
Other Current Assets	73,929	-	-	-	-
Restricted Cash at the Bank of ND	-	-	-	-	-
Restricted Investments at the Bank Of ND	-	-	-	-	-
Restricted Interest Receivable - Net	-	-	-	-	-
Restricted Loans Receivable - Net	-	-	-	-	-
Total Current Assets	10,108,429	5,841,066	2,677,269	958,952	18,457,883
Noncurrent Assets:					
Restricted Cash and Cash Equivalents	-	-	-	-	-
Investments	-	-	-	-	-
Loans and Notes Receivable - Net	7,797,617	-	15,010,563	4,895,964	-
Restricted Loans Receivable - Net	-	-	-	-	-
Unamortized Bond Issuance Costs	-	-	-	-	-
Other Noncurrent Assets	1,239,513	-	-	-	-
Capital Assets:					
Land and Construction in Progress	-	-	-	-	-
Infrastructure - Net	-	-	-	-	-
Buildings and Equipment -Net	-	-	-	-	-
Total Noncurrent Assets	9,037,130	-	15,010,563	4,895,964	-
Total Assets	19,145,559	5,841,066	17,687,832	5,854,916	18,457,883
LIABILITIES					
Current Liabilities:					
Accounts Payable	-	2,650	-	-	10,702
Accrued Payroll	-	1,117	-	-	27,299
Securities Lending Collateral	-	627,710	-	-	1,996,648
Interest Payable	-	-	-	-	-
Intergovernmental Payable	-	-	-	-	-
Due to Other Funds	12,518	46	20,405	4,023,985	13,678
Amounts Held in Custody for Others	-	-	-	-	-
Claims/Judgments Payable	-	178,660	-	-	1,450,960
Compensated Absences Payable	-	1,961	-	-	1,405
Capital Leases Payable	-	-	-	-	-
Bonds Payable	-	-	-	-	-
Deferred Revenue	-	-	-	-	-
Other Current Liabilities	-	-	-	-	-
Total Current Liabilities	12,518	812,144	20,405	4,023,985	3,500,692
Noncurrent Liabilities:					
Intergovernmental Payable	-	-	-	-	-
Claims/Judgments Payable	-	187,343	-	-	-
Compensated Absences Payable	-	-	-	-	33,815
Capital Leases Payable	-	-	-	-	-
Bonds Payable	-	-	-	-	-
Other Noncurrent Liabilities	-	-	-	-	-
Total Noncurrent Liabilities	-	187,343	-	-	33,815
Total Liabilities	12,518	999,487	20,405	4,023,985	3,534,507
NET ASSETS					
Invested in Capital Assets, Net of Related Debt	-	-	-	-	-
Restricted for:					
Capital Projects	-	-	-	-	-
Debt Service	-	-	-	-	-
Loan Purposes	-	-	-	-	-
Unemployment Compensation	-	-	-	-	-
Unrestricted	19,133,041	4,841,579	17,667,427	1,830,931	14,923,376
Total Net Assets	$ 19,133,041	$ 4,841,579	$ 17,667,427	$ 1,830,931	$ 14,923,376

Guaranteed Student Loan	Mill and Elevator	PERS Uniform Group Insurance	Roughrider Industries	State Fair	Student Loan	Unemployment Compensation	Total
$ 477,278	$ 495,249	$ 62,974	$ 573,483	$ 1,206,846	$ 1,622,000	$ 2,701	$ 16,610,169
-	-	3,212,899	700	180,524	-	38,980,699	42,374,822
2,463,894	-	-	-	-	1,651,000	-	4,114,894
-	-	-	-	-	-	-	21,800,582
61,526	15,194,735	121,816	569,156	135,080	-	17,010,094	33,206,834
196,941	-	-	-	-	1,403,000	562,781	2,824,940
2,776,079	-	-	-	-	387,000	337,290	3,500,369
-	-	1,638	4,094	-	206,000	-	212,697
-	-	32,352	-	-	-	-	32,352
-	453,010	-	9,786	40,772	80,000	-	1,312,305
-	9,676,404	-	849,895	-	-	-	10,526,299
-	-	-	-	-	7,194,000	-	9,687,103
-	-	-	-	-	-	-	73,929
2,060,163	-	-	-	-	34,888,000	-	36,948,163
3,231,835	-	-	-	-	30,559,000	-	33,790,835
27,073	-	-	-	-	2,072,000	-	2,099,073
-	-	-	-	-	23,855,000	-	23,855,000
11,294,789	25,819,398	3,431,679	2,007,114	1,563,222	103,917,000	56,893,565	242,970,366
-	-	-	-	256,262	-	-	256,262
-	-	-	-	225,315	-	-	225,315
-	-	-	-	-	33,473,000	-	61,177,144
-	-	-	-	-	64,405,000	-	64,405,000
-	-	-	-	30,571	1,038,000	-	1,068,571
-	93,087	-	-	-	-	-	1,332,600
-	116,559	-	-	390,816	-	-	507,375
-	197,137	-	-	1,181,977	-	-	1,379,114
1,408,571	30,592,009	-	448,583	12,249,790	-	-	44,698,953
1,408,571	30,998,792	-	448,583	14,334,731	98,916,000	-	175,050,334
12,703,360	56,818,190	3,431,679	2,455,697	15,897,953	202,833,000	56,893,565	418,020,700
833,308	1,846,354	15,894	209,514	40,763	36,000	470,953	3,466,138
-	52,030	38,776	102,229	-	-	-	221,451
-	-	-	-	-	-	-	2,624,358
-	-	-	-	36,432	353,000	-	389,432
779,896	-	-	-	-	509,000	1,295,468	2,584,364
220,460	11,639,245	4,203	5,975	-	832,000	705,184	17,477,699
-	-	786,689	-	-	-	-	786,689
-	-	-	-	-	-	-	1,629,620
-	33,140	2,211	3,900	25,000	-	-	67,617
-	-	-	36,790	-	-	-	36,790
-	-	-	-	210,000	1,000,000	-	1,210,000
83,394	-	95,051	-	-	-	-	178,445
-	-	-	1,835	-	-	-	1,835
1,917,058	13,570,769	942,824	360,243	312,195	2,730,000	2,471,605	30,674,438
3,762,977	-	-	-	-	2,771,000	-	6,533,977
-	-	-	-	-	-	-	187,343
-	569,408	48,033	97,511	29,904	-	-	778,671
-	-	-	81,474	-	-	-	81,474
-	-	-	-	1,914,753	125,058,000	-	126,972,753
2,750,720	-	-	-	-	-	-	2,750,720
6,513,697	569,408	48,033	178,985	1,944,657	127,829,000	-	137,304,938
8,430,755	14,140,177	990,857	539,228	2,256,852	130,559,000	2,471,605	167,979,376
1,408,571	28,772,445	-	343,480	11,697,830	-	-	42,222,326
-	-	-	-	5,513	-	-	5,513
-	-	-	-	476,065	26,523,000	-	26,999,065
1,063,355	-	-	-	-	-	-	1,063,355
-	-	-	-	-	-	54,421,960	54,421,960
1,800,679	13,905,568	2,440,822	1,572,989	1,461,693	45,751,000	-	125,329,105
$ 4,272,605	$ 42,678,013	$ 2,440,822	$ 1,916,469	$ 13,641,101	$ 72,274,000	$ 54,421,960	$ 250,041,324

STATE OF NORTH DAKOTA

Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Nonmajor Enterprise Funds
For the Fiscal Year Ended June 30, 2003

	Beginning Farmer Revolving Loan	Bonding	Community Water Facility Loan	Developmentally Disabled Facility Loan	Fire and Tornado
OPERATING REVENUES					
Sales and Services	$ -	$ 28,015	$ -	$ -	$ 4,257,280
Royalties and Rents	-	-	-	-	-
Interest and Investment Income	536,182	-	465,758	405,577	-
Miscellaneous	-	-	-	-	-
Total Operating Revenues	536,182	28,015	465,758	405,577	4,257,280
OPERATING EXPENSES					
Cost of Sales and Services	-	-	-	-	-
Salaries and Benefits	-	13,472	-	-	327,363
Operating	625,254	22,424	83,218	37,956	1,486,984
Claims	-	258,533	-	-	397,067
Refunds	-	-	-	-	-
Interest	-	-	-	247,769	-
Depreciation	-	-	-	-	-
Miscellaneous	4,862	-	-	-	-
Total Operating Expenses	630,116	294,429	83,218	285,725	2,211,414
Operating Income (Loss)	(93,934)	(266,414)	382,540	119,852	2,045,866
NONOPERATING REVENUES (EXPENSES)					
Grants and Contracts	-	-	-	-	-
Interest and Investment Income	83,397	376,925	25,662	6,158	1,253,131
Interest Expense	-	(22,245)	-	-	(68,237)
Loss on Sale of Capital Assets	-	-	-	-	-
Other	-	-	-	-	-
Total Nonoperating Revenues (Expenses)	83,397	354,680	25,662	6,158	1,184,894
Income (Loss) Before Contributions and Transfers	(10,537)	88,266	408,202	126,010	3,230,760
Transfers In	-	-	-	-	-
Transfers Out	-	-	-	(659,033)	-
Change in Net Assets	(10,537)	88,266	408,202	(533,023)	3,230,760
Total Net Assets - Beginning of Year, as Adjusted	19,143,578	4,753,313	17,259,225	2,363,954	11,692,616
Total Net Assets - End of Year	$ 19,133,041	$ 4,841,579	$ 17,667,427	$ 1,830,931	$ 14,923,376

Guaranteed Student Loan	Mill and Elevator	PERS Uniform Group Insurance	Roughrider Industries	State Fair	Student Loan	Unemployment Compensation	Total
$ 2,964,413	$ 92,785,165	$ 873,759	$ 3,912,838	$ 3,119,273	$ -	$ 60,058,581	$ 167,999,324
-	-	-	7,870	-	-	-	7,870
-	-	-	-	-	9,679,000	-	11,086,517
3,153	-	-	16,665	-	-	-	19,818
2,967,566	92,785,165	873,759	3,937,373	3,119,273	9,679,000	60,058,581	179,113,529
-	86,188,257	-	2,188,550	-	-	-	88,376,807
-	1,414,654	448,306	1,094,891	774,318	-	-	4,073,004
3,981,538	628,417	259,695	154,727	2,321,403	4,689,000	-	14,290,616
-	-	-	-	-	-	56,753,361	57,408,961
-	-	-	96	-	-	-	96
-	-	-	-	-	2,523,000	-	2,770,769
516,063	2,046,394	-	55,925	911,863	-	-	3,530,245
-	-	-	-	-	-	-	4,862
4,497,601	90,277,722	708,001	3,494,189	4,007,584	7,212,000	56,753,361	170,455,360
(1,530,035)	2,507,443	165,758	443,184	(888,311)	2,467,000	3,305,220	8,658,169
-	-	-	-	296,048	-	-	296,048
1,212,178	9,644	134,154	-	32,740	984,000	2,351,752	6,469,741
-	(280,199)	-	(5,605)	(135,639)	-	-	(511,925)
-	-	-	(2,379)	(5,163)	-	-	(7,542)
-	(233,427)	-	-	(6,529)	-	-	(239,956)
1,212,178	(503,982)	134,154	(7,984)	181,457	984,000	2,351,752	6,006,366
(317,857)	2,003,461	299,912	435,200	(706,854)	3,451,000	5,656,972	14,664,535
-	-	-	-	176,462	-	-	176,462
-	(6,027,902)	-	-	-	-	-	(6,686,935)
(317,857)	(4,024,441)	299,912	435,200	(530,392)	3,451,000	5,656,972	8,154,062
4,590,462	46,702,454	2,140,910	1,481,269	14,171,493	68,823,000	48,764,988	241,887,262
$ 4,272,605	$ 42,678,013	$ 2,440,822	$ 1,916,469	$ 13,641,101	$ 72,274,000	$ 54,421,960	$ 250,041,324

STATE OF NORTH DAKOTA

Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Fiscal Year Ended June 30, 2003

	Beginning Farmer Revolving Loan	Bonding	Community Water Facility Loan	Developmentally Disabled Facility Loan	Fire and Tornado
Cash Flows from Operating Activities:					
Receipts from Customers and Users	$ 25,668	$ 30,541	$ -	$ -	$ 6,778,792
Interest Income on Loans	582,193	-	-	-	-
Receipts from Loan Principal Repayments	1,957,813	-	-	-	-
Receipts from Other Funds	-	-	-	-	-
Receipts from Others	-	-	-	-	-
Payments for Loan Funds	(1,998,560)	-	-	-	-
Payments to Other Funds	-	(1,238)	-	-	-
Payments to Suppliers	(1,309,650)	(23,296)	(81,765)	(39,136)	(1,486,885)
Payments to Employees	-	(13,214)	-	-	(325,814)
Claim Payments	-	(18,730)	-	-	(3,095,238)
Payments to Others	(3,553)	-	-	-	-
Net Cash Provided by (Used for) Operating Activities	(746,089)	(25,937)	(81,765)	(39,136)	1,870,855
Cash Flows from Noncapital Financing Activities:					
Proceeds from Sale of Notes and Other Borrowings	-	-	-	-	-
Principal Payments - Bonds	-	-	-	-	-
Principal Payments - Notes and Other Borrowings	-	-	-	-	-
Interest Payments - Bonds	-	-	-	-	-
Interest Payments - Notes and Other Borrowings	-	-	-	(247,769)	-
Transfers In	-	-	-	-	-
Transfers Out	-	-	-	(659,033)	-
Principal Payments on Due To Other Funds	-	-	-	(574,708)	-
Grants Received	-	-	-	-	-
Other	-	-	-	-	-
Net Cash Provided by (Used for) Noncapital Financing Activities	-	-	-	(1,481,510)	-
Cash Flows from Capital and Related Financing Activities:					
Acquisition and Construction of Capital Assets	-	-	-	-	-
Proceeds from Sale of Capital Assets	-	-	-	-	-
Proceeds from Bonds	-	-	-	-	-
Principal Payments - Bonds	-	-	-	-	-
Principal Payments - Notes and Other Borrowings	-	-	-	-	-
Interest Payments - Bonds	-	-	-	-	-
Interest Payments - Notes and Other Borrowings	-	-	-	-	-
Payment of Bond Issue Costs	-	-	-	-	-
Payment on Capital Leases	-	-	-	-	-
Other	-	-	-	-	-
Net Cash Used for Capital and Related Financing Activities	-	-	-	-	-
Cash Flows from Investing Activities:					
Proceeds from Sale and Maturities of Investment Securities	-	16,206	-	-	-
Purchase of Investment Securities	-	-	-	-	(1,696,549)
Interest and Dividends on Investments	83,397	3,702	26,626	6,171	28,184
Disbursements for Loans and Loan Purchases	-	-	(1,000,000)	-	-
Receipt of Loan Principal Repayments	-	-	405,283	892,715	-
Loan Income Received	-	-	444,869	401,938	-
Net Cash Provided by (Used for) Investing Activities	83,397	19,908	(123,222)	1,300,824	(1,668,365)
Net Change in Cash:					
Net Increase (Decrease) in Cash and Cash Equivalents	(662,692)	(6,029)	(204,987)	(219,822)	202,490
Cash and Cash Equivalents at June 30, 2002	8,355,628	545,639	2,313,420	365,978	1,480,013
Cash and Cash Equivalents at June 30, 2003	$ 7,692,936	$ 539,610	$ 2,108,433	$ 146,156	$ 1,682,503
Reconciliation:					
Current:					
Cash Deposits at the Bank of North Dakota	$ 7,692,936	$ 539,610	$ 2,108,433	$ 146,156	$ 1,682,503
Cash and Cash Equivalents	-	-	-	-	-
Restricted Cash Deposits at the Bank of North Dakota	-	-	-	-	-
Noncurrent:					
Restricted Cash and Cash Equivalents	-	-	-	-	-
Cash and Cash Equivalents	$ 7,692,936	$ 539,610	$ 2,108,433	$ 146,156	$ 1,682,503

(Continued on the Next Page)

Guaranteed Student Loan	Mill and Elevator	PERS Uniform Group Insurance	Roughrider Industries	State Fair	Student Loan	Unemployment Compensation	Total
$ 1,516,363	$ 113,008,713	$ 106,297,325	$ 3,574,238	$ 3,072,974	$ 38,431,000	$ 49,952,555	$ 322,688,169
-	-	-	-	-	-	-	582,193
11,263,151	-	-	-	-	-	-	13,220,964
-	-	-	39,046	-	-	-	39,046
-	-	-	-	-	-	60,688	60,688
(10,909,720)	-	-	-	-	-	-	(12,908,280)
-	-	-	-	-	-	-	(1,238)
(3,633,778)	(104,686,522)	(105,813,704)	(2,323,100)	(2,334,373)	(81,114,000)	(7,446,040)	(310,292,249)
-	(6,599,520)	(443,972)	(1,078,281)	(763,974)	-	-	(9,224,775)
-	-	-	-	-	-	(42,289,486)	(45,403,454)
-	-	-	(96)	-	-	-	(3,649)
(1,763,984)	1,722,671	39,649	211,807	(25,373)	(42,683,000)	277,717	(41,242,585)
-	19,400,000	-	-	-	-	-	19,400,000
-	-	-	-	-	(63,855,000)	-	(63,855,000)
-	(12,700,000)	-	-	-	-	-	(12,700,000)
-	-	-	-	-	(2,629,000)	-	(2,629,000)
-	(142,979)	-	-	-	-	-	(390,748)
-	-	-	-	176,462	-	-	176,462
-	(6,027,902)	-	-	-	(9,000,000)	-	(15,686,935)
-	-	-	-	-	-	-	(574,708)
-	-	-	-	296,048	-	-	296,048
(7,935,941)	-	-	-	-	-	-	(7,935,941)
(7,935,941)	529,119	-	-	472,510	(75,484,000)	-	(83,899,822)
(524,769)	(1,358,818)	-	(77,622)	(129,784)	-	-	(2,090,993)
-	10,592	-	1,000	122,762	-	-	134,354
-	-	-	-	2,171,925	-	-	2,171,925
-	-	-	-	(2,150,000)	-	-	(2,150,000)
-	(552,512)	-	-	-	-	-	(552,512)
-	-	-	-	(101,229)	-	-	(101,229)
-	(137,220)	-	(5,605)	-	-	-	(142,825)
-	-	-	-	(33,350)	-	-	(33,350)
-	-	-	(41,183)	-	-	-	(41,183)
-	(240,956)	-	-	-	-	-	(240,956)
(524,769)	(2,278,914)	-	(123,410)	(119,676)	-	-	(3,046,769)
29,142,956	-	-	-	245,502	250,202,000	-	279,606,664
(19,027,554)	-	-	-	(220,921)	(132,077,000)	-	(153,022,024)
775,985	9,644	134,154	-	32,740	1,771,000	2,375,938	5,247,541
-	-	-	-	-	-	-	(1,000,000)
-	-	-	-	-	-	-	1,297,998
-	-	-	-	-	-	-	846,807
10,891,387	9,644	134,154	-	57,321	119,896,000	2,375,938	132,976,986
666,693	(17,480)	173,803	88,397	384,782	1,729,000	2,653,655	4,787,810
1,870,748	512,729	3,102,070	485,786	1,258,850	34,781,000	36,329,745	91,401,606
$ 2,537,441	$ 495,249	$ 3,275,873	$ 574,183	$ 1,643,632	$ 36,510,000	$ 38,983,400	$ 96,189,416
$ 477,278	$ 495,249	$ 62,974	$ 573,483	$ 1,206,846	$ 1,622,000	$ 2,701	$ 16,610,169
-	-	3,212,899	700	180,524	-	38,980,699	42,374,822
2,060,163	-	-	-	-	34,888,000	-	36,948,163
-	-	-	-	256,262	-	-	256,262
$ 2,537,441	$ 495,249	$ 3,275,873	$ 574,183	$ 1,643,632	$ 36,510,000	$ 38,983,400	$ 96,189,416

STATE OF NORTH DAKOTA

Combining Statement of Cash Flows
Nonmajor Enterprise Funds (Continued)
For the Fiscal Year Ended June 30, 2003

	Beginning Farmer Revolving Loan	Bonding	Community Water Facility Loan	Developmentally Disabled Facility Loan	Fire and Tornado
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used for) Operating Activities:					
Operating Income (Loss)	$ (93,934)	$ (266,414)	$ 382,540	$ 119,852	$ 2,045,866
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:					
Depreciation	-	-	-	-	-
Amortization\Accretion	-	-	-	-	-
Reclassification of Interest Revenue\Expense	-	-	(465,758)	(157,808)	-
Interest Received on Program Loans	-	-	-	-	-
Disbursements for Loans and Loan Purchases	-	-	-	-	-
Receipt of Loan Principal Repayments	-	-	-	-	-
Provision for Losses	-	-	-	-	-
Premiums Collected	-	-	-	-	-
Premiums Paid	-	-	-	-	-
Other	12,346	-	-	-	-
Change in Assets and Liabilities:					
(Increase) Decrease in Accounts Receivable	-	2,615	-	-	(61,749)
Decrease in Interest Receivable	48,117	-	-	-	-
(Increase) Decrease in Due From	-	(89)	-	-	(763)
Decrease in Due From Fiduciary Funds	-	-	-	-	-
(Increase) Decrease in Intergovernmental Receivable	-	-	-	-	-
Increase in Notes Receivable	(40,747)	-	-	-	-
Increase in Prepaid Items	(672,274)	-	-	-	-
(Increase) Decrease in inventories	-	-	-	-	-
Increase (Decrease) in Accounts Payable	-	(872)	-	-	(2,357)
Increase (Decrease) in Claims\Judgments Payable	-	239,803	-	-	(114,147)
Increase (Decrease) in Intergovernmental Payable	-	-	-	-	-
Increase in Accrued Payroll	-	44	-	-	715
Increase in Compensated Absences Payable	-	214	-	-	834
Increase in Amounts Held for Others	-	-	-	-	-
Increase (Decrease) in Due To	403	(1,238)	1,453	(1,180)	2,456
Increase (Decrease) in Deferred Revenue	-	-	-	-	-
Decrease in Other Liabilities	-	-	-	-	-
Total Adjustments	(652,155)	240,477	(464,305)	(158,988)	(175,011)
Net Cash Provided by (Used for) Operating Activities	$ (746,089)	$ (25,937)	$ (81,765)	$ (39,136)	$ 1,870,855
Noncash Transactions:					
Net Increase in Fair Value of investments	$ -	$ 355,072	$ -	$ -	$ 1,169,886
Change in Securities Lending Collateral	-	66,052	-	-	442,103
Amortization of Bond Discount	-	-	-	-	-
Amortization of Bond Issuance Costs	-	-	-	-	-
Acquisition of Equipment Under Capital Lease	-	-	-	-	-
Total Noncash Transactions	$ -	$ 421,124	$ -	$ -	$ 1,611,989

Guaranteed Student Loan	Mill and Elevator	PERS Uniform Group Insurance	Roughrider Industries	State Fair	Student Loan	Unemployment Compensation	Total
$ (1,530,035)	$ 2,507,443	$ 165,758	$ 443,184	$ (888,311)	$ 2,467,000	$ 3,305,220	$ 8,658,169
516,063	2,046,394	-	55,925	911,863	-	-	3,530,245
-	-	-	-	-	594,000	-	594,000
-	-	-	-	-	(7,610,000)	-	(8,233,566)
-	-	-	-	-	6,183,000	-	6,183,000
-	-	-	-	-	(77,564,000)	-	(77,564,000)
-	-	-	-	-	32,248,000	-	32,248,000
901,000	-	-	-	4,100	9,000	-	914,100
-	-	105,552,973	-	-	-	-	105,552,973
-	-	(105,552,973)	-	-	-	-	(105,552,973)
40,000	-	-	-	-	-	-	52,346
(15,415)	(2,250,580)	(107,140)	(359,691)	(50,399)	-	(2,700,092)	(5,542,451)
-	-	-	-	-	-	-	48,117
-	-	-	33,071	-	-	-	32,219
-	-	7,141	-	-	-	-	7,141
(929,770)	-	2,911	-	-	-	(63,797)	(990,656)
-	-	-	-	-	-	-	(40,747)
-	(106,468)	-	-	(16,007)	-	-	(794,749)
-	219,212	-	(94,153)	-	-	-	125,059
95,144	(698,628)	1,355	114,503	3,037	(36,000)	(683,805)	(1,207,623)
-	-	-	-	-	-	-	125,656
(1,737,325)	-	(2,391)	-	-	650,000	39,669	(1,050,047)
-	14,788	679	5,825	-	-	-	22,051
-	39,019	3,655	10,785	10,344	-	-	64,851
-	-	35,405	-	-	-	-	35,405
145,596	-	-	5,975	-	376,000	380,522	909,987
750,758	-	(67,724)	-	-	-	-	683,034
-	(48,509)	-	(3,617)	-	-	-	(52,126)
(233,949)	(784,772)	(126,109)	(231,377)	862,938	(45,150,000)	(3,027,503)	(49,900,754)
$ (1,763,984)	$ 1,722,671	$ 39,649	$ 211,807	$ (25,373)	$ (42,683,000)	$ 277,717	$ (41,242,585)
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,524,958
-	-	-	-	-	-	-	508,155
-	-	-	-	8,219	-	-	8,219
-	-	-	-	2,779	-	-	2,779
-	-	-	58,994	-	-	-	58,994
$ -	$ -	$ -	$ 58,994	$ 10,998	$ -	$ -	$ 2,103,105

Internal Service Funds

Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the State and to other government units, on a cost reimbursement basis.

790 (927) - Central Services
Accounts for the revenues and expenditures associated with central printing and office supply services to state agencies and the Legislative Assembly; a surplus property program for the acquisition, distribution, and disposition of federal and state surplus property and procurement services for all state agencies not exempt by statute. (NDCC 54-44)

700 (918) - Fleet Services
Accounts for costs of operating and maintaining State-owned vehicles. Costs are billed to user agencies and include depreciation on equipment. (NDCC 24-02)

780 (929) - Information Technology Department
Accounts used for the procurement and maintenance of data processing equipment and supplies and telecommunications equipment and supplies to provide data processing and telecommunications services to state departments and agencies. (NDCC 54-59)

288 (912) - Risk Management Fund
This fund provides insurance coverage and loss prevention to all state agencies and the University System for tort liability and employee injury claims. Coverage is provided using an optional combination of self-insurance and private excess insurance. (NDCC 32-12.2)

207 (936) - Retirement and Investment Office
Accounts for the administrative operations provided to the State Investment Board and Teachers Fund For Retirement for the boards investing activities. (NDCC 15-39)

STATE OF NORTH DAKOTA

Combining Statement of Net Assets
Internal Service Funds
June 30, 2003

	Central Services	Fleet Services	Information Technology Department	Retirement and Investment Board	Risk Management	Total
ASSETS						
Current Assets:						
Cash Deposits at the Bank of ND	$ 506,292	$ 780,745	$ 2,284,631	$ 133,089	$ 3,106,738	$ 6,811,495
Cash and Cash Equivalents	100	-	-	-	-	100
Investments	-	-	-	-	2,252,134	2,252,134
Accounts Receivable - Net	37,346	1,803	60,143	2,089	-	101,381
Interest Receivable - Net	-	-	-	-	48,844	48,844
Intergovernmental Receivable - Net	44,421	499	104,834	-	3,000	152,754
Due from Other Funds	155,304	1,733,564	2,855,277	54,006	34,979	4,833,130
Prepaid Items	11,298	-	-	-	-	11,298
Inventory	117,066	-	-	-	-	117,066
Total Current Assets	871,827	2,516,611	5,304,885	189,184	5,445,695	14,328,202
Noncurrent Assets:						
Capital Assets:						
Land and Construction in Progress	-	-	4,864,461	-	-	4,864,461
Buildings and Equipment -Net	49,184	46,525,220	2,966,151	3,414	7,725	49,551,694
Total Noncurrent Assets	49,184	46,525,220	7,830,612	3,414	7,725	54,416,155
Total Assets	921,011	49,041,831	13,135,497	192,598	5,453,420	68,744,357
LIABILITIES						
Current Liabilities:						
Accounts Payable	46,471	444,862	144,134	137,975	83,762	857,204
Accrued Payroll	63,773	75,013	985,337	-	18,556	1,142,679
Securities Lending Collateral	-	-	-	-	268,003	268,003
Interest Payable	-	-	190,805	-	965	191,770
Due to Other Funds	5,506	1,094,843	5,751	12,504	11,457	1,130,061
Claims/Judgments Payable	-	-	-	-	1,597,857	1,597,857
Compensated Absences Payable	3,188	3,092	43,517	5,366	-	55,163
Notes Payable	-	-	4,681,507	-	-	4,681,507
Total Current Liabilities	118,938	1,617,810	6,051,051	155,845	1,980,600	9,924,244
Noncurrent Liabilities:						
Claims/Judgments Payable	-	-	-	-	2,731,161	2,731,161
Compensated Absences Payable	59,579	58,750	945,514	61,347	12,957	1,138,147
Total Noncurrent Liabilities	59,579	58,750	945,514	61,347	2,744,118	3,869,308
Total Liabilities	178,517	1,676,560	6,996,565	217,192	4,724,718	13,793,552
NET ASSETS						
Invested in Capital Assets, Net of Related Debt	49,184	46,525,220	2,958,299	3,414	7,725	49,543,842
Unrestricted	693,310	840,051	3,180,633	(28,008)	720,977	5,406,963
Total Net Assets	$ 742,494	$ 47,365,271	$ 6,138,932	$ (24,594)	$ 728,702	$ 54,950,805

STATE OF NORTH DAKOTA

Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Internal Service Funds
For the Fiscal Year Ended June 30, 2003

	Central Services	Fleet Services	Information Technology Department	Retirement and Investment Board	Risk Management	Total
OPERATING REVENUES						
Sales and Services	$ 2,425,337	$ 17,396,065	$ 30,954,410	$ 1,433,110	$ 4,238,442	$ 56,447,364
Miscellaneous	-	28,769	-	19,052	133,369	181,190
Total Operating Revenues	2,425,337	17,424,834	30,954,410	1,452,162	4,371,811	56,628,554
OPERATING EXPENSES						
Cost of Sales and Services	1,206,146	-	-	-	-	1,206,146
Salaries and Benefits	771,302	1,008,954	11,719,454	835,210	236,706	14,571,626
Operating	379,449	6,375,244	17,320,420	626,604	2,923,128	27,624,845
Claims	-	-	-	-	3,074,704	3,074,704
Depreciation	16,191	5,912,994	2,351,338	2,589	1,794	8,284,906
Total Operating Expenses	2,373,088	13,297,192	31,391,212	1,464,403	6,236,332	54,762,227
Operating Income (Loss)	52,249	4,127,642	(436,802)	(12,241)	(1,864,521)	1,866,327
NONOPERATING REVENUES (EXPENSES)						
Interest and Investment Income	-	-	-	810	235,129	235,939
Interest Expense	(840)	-	(10,746)	-	(10,236)	(21,822)
Loss on Sale of Capital Assets	-	(711,795)	(4,607)	-	-	(716,402)
Other	103	-	-	-	-	103
Total Nonoperating Revenues (Expenses)	(737)	(711,795)	(15,353)	810	224,893	(502,182)
Change in Net Assets	51,512	3,415,847	(452,155)	(11,431)	(1,639,628)	1,364,145
Total Net Assets - Beginning of Year	690,982	43,949,424	6,591,087	(13,163)	2,368,330	53,586,660
Total Net Assets - End of Year	$ 742,494	$ 47,365,271	$ 6,138,932	$ (24,594)	$ 728,702	$ 54,950,805

STATE OF NORTH DAKOTA

Combining Statement of Cash Flows
Internal Service Funds
For the Fiscal Year Ended June 30, 2003

	Central Services	Fleet Services	Information Technology	Retirement and Investment Office	Risk Management	Total
Cash Flows from Operating Activities:						
Receipts from Customers and Users	$ 2,401,559	$ 17,452,863	$ 30,657,949	$ 1,494,451	$ 4,398,835	$ 56,405,657
Receipts from Federal and Local Agencies	-	75	-	-	-	75
Receipts from Other Funds	-	174,332	-	-	-	174,332
Receipts from Others	-	-	-	-	6,583	6,583
Payments to Other Funds	-	(1,972,721)	-	-	-	(1,972,721)
Payments to Suppliers	(1,590,324)	(6,333,913)	(17,179,863)	(1,479,549)	(2,125,059)	(28,708,708)
Payments to Employees	(784,465)	(1,010,353)	(11,599,397)	-	(207,734)	(13,601,949)
Claim Payments	-	-	-	-	(1,809,743)	(1,809,743)
Payments to Others	-	-	-	-	(832,506)	(832,506)
Net Cash Provided by (Used for) Operating Activities	26,770	8,310,283	1,878,689	14,902	(569,624)	9,661,020
Cash Flows from Noncapital Financing Activities:						
Principal Payments - Notes and Other Borrowings	-	-	(348,652)	-	-	(348,652)
Interest Payments - Notes and Other Borrowings	(757)	-	(10,746)	-	-	(11,503)
Other	103	-	-	-	-	103
Net Cash Used for Noncapital Financing Activities	(654)	-	(359,398)	-	-	(360,052)
Cash Flows from Capital and Related Financing Activities:						
Acquisition and Construction of Capital Assets	(19,690)	(10,562,436)	(1,365,252)	-	-	(11,947,378)
Proceeds from Sale of Capital Assets	1,195	2,014,749	2,658	-	-	2,018,602
Payment on Capital Leases	(7,294)	-	-	-	-	(7,294)
Interest Payments - Capital Leases	(83)	-	-	-	-	(83)
Net Cash Used for Capital and Related Financing Activities	(25,872)	(8,547,687)	(1,362,594)	-	-	(9,936,153)
Cash Flows from Investing Activities:						
Proceeds from Sale and Maturities of Investment Securities	-	-	-	-	1,089,396	1,089,396
Interest and Dividends on Investments	-	-	-	846	55,746	56,592
Net Cash Provided by Investing Activities	-	-	-	846	1,145,142	1,145,988
Net Change in Cash:						
Net increase (Decrease) in Cash and Cash Equivalents	244	(237,404)	156,697	15,748	575,518	510,803
Cash and Cash Equivalents at June 30, 2002	506,148	1,018,149	2,127,934	117,341	2,531,220	6,300,792
Cash and Cash Equivalents at June 30, 2003	$ 506,392	$ 780,745	$ 2,284,631	$ 133,089	$ 3,106,738	$ 6,811,595
Reconciliation:						
Cash Deposits at the Bank of North Dakota	$ 506,292	$ 780,745	$ 2,284,631	$ 133,089	$ 3,106,738	$ 6,811,495
Cash and Cash Equivalents	100	-	-	-	-	100
Cash and Cash Equivalents and Cash Deposits at the Bank of North Dakota	$ 506,392	$ 780,745	$ 2,284,631	$ 133,089	$ 3,106,738	$ 6,811,595
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used for) Operating Activities:						
Operating Income (Loss)	$ 52,249	$ 4,127,642	$ (436,802)	$ (12,241)	$ (1,864,521)	$ 1,866,327
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:						
Depreciation	16,191	5,912,994	2,351,338	2,589	1,794	8,284,906
Other	-	-	-	-	(1,172)	(1,172)
Change in Assets and Liabilities:						
(Increase) Decrease in Accounts Receivable	(30,195)	28,029	(50,671)	(306)	750	(52,393)
(Increase) Decrease in Due From	(9,182)	174,332	(189,117)	(32,779)	105,902	49,156
(Increase) Decrease in Intergovernmental Receivable	15,599	75	(56,673)	-	(2,188)	(43,187)
(Increase) Decrease in Prepaid Items	(8,161)	-	305,775	-	-	297,614
Decrease in Inventories	8,662	-	-	-	-	8,662
Increase (Decrease) in Accounts Payable	2,637	41,331	(164,347)	47,474	61,375	(11,530)
Increase in Claims\Judgments Payable	-	-	-	-	1,300,217	1,300,217
Increase (Decrease) in Accrued Payroll	(5,596)	(1,092)	42,851	-	(2,172)	33,991
Increase (Decrease) in Compensated Absences Payable	(7,567)	(307)	77,207	9,372	(3,932)	74,773
Increase (Decrease) in Due To	(7,867)	(1,972,721)	(872)	793	(95,993)	(2,076,660)
Decrease In Deferred Revenue	-	-	-	-	(69,684)	(69,684)
Total Adjustments	(25,479)	4,182,641	2,315,491	27,143	1,294,897	7,794,693
Net Cash Provided by (Used for) Operating Activities	$ 26,770	$ 8,310,283	$ 1,878,689	$ 14,902	$ (569,624)	$ 9,661,020
Noncash Transactions:						
Net Decrease in Fair Value of investments	$ -	$ -	$ -	$ -	$ (169,599)	$ (169,599)
Change in Securities Lending Collateral	-	-	-	-	(118,921)	(118,921)
Construction in Progress Through Assumption of Note Payable	-	-	4,864,461	-	-	4,864,461
Interest Payable Through Assumption of Note Payable	-	-	190,805	-	-	190,805
Total Noncash Transactions	$ -	$ -	$ 5,055,266	$ -	$ (288,520)	$ 4,766,746

Fiduciary Funds

Fiduciary funds account for assets held by the State in a trustee capacity or as an agent for individuals, private organizations, and/or other governmental organizations.

Pension and Other Employee-Related Benefit Trust Funds

DEFERRED COMPENSATION

981 - Deferred Compensation Fund
Accounts for the activity of the deferred compensation plan adopted under the provisions of Internal Revenue Service Code, Section 457, for State employees. (NDCC 54-52.2)

PERS FLEXCOMP

932 - Flex Program
Accounts for pre-tax premium conversions, a medical spending account and a dependent care spending account according to Section 125 of the Internal Revenue Code. (NDCC 54-52.3)

HIGHWAY PATROLMEN'S RETIREMENT

982 - Highway Patrolmen's Retirement Fund
A single employer defined benefit pension plan covering officers of the State Highway Patrol. (NDCC 39-03.1)

JOB SERVICE RETIREMENT

920 - Job Service Retirement Fund
A single employer defined benefit pension plan for Job Service employees. Participation in this plan is limited to employees participating in the program as of September 30, 1980. (NDCC 52-11)

PREFUNDED RETIREE HEALTH PROGRAM

933 - Prefunded Retiree Health Program
Members receiving retirement benefits from NDPERS receive a credit toward their monthly health insurance premium under the state health plan. (NDCC 54-52.1)

PUBLIC EMPLOYEES' RETIREMENT

470 (983) - Public Employees Retirement System
Accounts for the financial resources associated with the Public Employees Retirement System. (NDCC 54-52)

DEFINED CONTRIBUTION RETIREMENT

930 – Defined Contribution Retirement Plan
Accounts for the financial resources of the Defined Contribution Retirement Plan. Participation in this plan is limited to state employees who are in positions not classified by the Central Personnel Division and who are not employees of the judicial branch or board of higher education. (NDCC 54-52)

TEACHERS' RETIREMENT

964 - North Dakota Teachers' Fund For Retirement
Accounts for the financial resources of the Teachers' Retirement Fund. (NDCC 15-39.1)

Investment Trust Funds

911 - ND Association of Counties RIO Investments
Account for the investment assets held by the State Investment Board in a trustee capacity as an agent for the North Dakota Association of Counties. (NDCC 21-10)

913 - City of Bismarck RIO Investments
Account for the investment assets held by the State Investment Board in a trustee capacity as an agent for the City of Bismarck. (NDCC 21-10)

950 – City of Fargo RIO Investments
Account for the investment assets held by the State Investment Board in a trustee capacity as an agent for the City of Fargo. (NDCC 21-10)

Private Purpose Trust Funds

STUDENT DONATIONS

937 - Department of Public Instruction Thordarson Scholarship Trust Fund
Fund used to provide scholarship grants to students enrolled in courses offered by the independent study division. (NDCC 15-19)

988 - School for the Deaf Scholarship Trust Fund
Account for funds donated to provide scholarships to deaf students. (NDCC 25-01.1)

989 - School for the Deaf Student Trust Funds
Accounts for funds donated to the School for the Deaf for the benefit of the students. (NDCC 25-01.1)

COLLEGE SAVE

940 – College SAVE
Program established by the State of North Dakota to encourage the investment of funds to be used for qualified higher education expenses at institutions of higher education. (NDCC 6-09-38)

Agency Funds

BONDING

402 - Sales and Use Tax Deposit Fund
Accounts for cash received in lieu of a surety bond for sales tax permit holders. (NDCC 57-39.2)

403 - Motor Fuel Cash Bond Deposit Fund
Accounts for cash received in lieu of a surety bond for motor vehicle fuel dealers. (NDCC 57-43.1)

939 - Public Service Commission Trustee Account
Accounts for savings certificates posted in lieu of performance bonds for surface mining activities and grain elevator insolvency cases. (NDCC 60-02)

942 - Agriculture Cash and Investment
Accounts for securities or bonds in lieu of a surety bond relating to the operation of livestock dealers, auction markets and dairy plants. (NDCC 36-05)

944 - Cash Bonds
Accounts for the financial resources for the plugging of abandoned oil and gas wells and the reclamation of abandoned oil and gas well sites. (NDCC 38-08)

945 - Insurance Company Deposits
Accounts for securities of domestic insurance companies required by the NDCC to keep on deposit with the Insurance Commissioner securities in a value equal to the policies they have in force. (NDCC 26.1-05)

947 – District Court Bond Fund
Accounts for bail bonds posted for civil and criminal court cases. (NDCC 27-05.2)

PAYROLL

461 - OMB Unemployment/Payroll Clearing Fund
Accounts for employers and employees payroll taxes and other deductions such as, insurance and credit union deductions, etc. (NDCC 54-44)

CHILD SUPPORT

463 – Child Support Disbursement Unit Fund
Accounts for all child support payments received by the state disbursement unit. (NDCC 14-09)

STUDENT AND OTHER

406 - Drivers License Trust Fund
Accounts for cash received from a motor vehicle operator involved in an accident and has no automobile liability policy and the driver was negligent. (NDCC 39-16)

946 – District Court Collection Fund
Accounts for collections for third parties. (NDCC 27-05.2)

986 - Developmental Center Residents' Funds
Accounts for funds belonging to patients of the State Developmental Center. (NDCC 25-01.1)

990 - Veteran's Home-Custodial
Accounts for resident's personal funds. (NDCC 37-15)

991 - State Hospital Patients
Accounts for patient's personal funds. (NDCC 25-01.1)

992 - Prisoner Accounts
Accounts for prisoner's personal fund. (NDCC 12-48)

993 - Youth Correctional Center Student Accounts
Account for the student's personal funds. (NDCC 12-46)

994 - School for the Deaf Students
Account for the students personal funds. (NDCC 25-01.1)

TAX COLLECTION

434 - City Lodging Tax Suspense
Accounts for city lodging tax collected by the State Tax Commissioner. (NDCC 40-57.3)

435 - City Sales Tax Suspense
Accounts for city sales and use taxes collected by the State Tax Commission. (NDCC 57-01)

438 - City Restaurant and Lodge Tax Suspense
A city tax, at a rate not to exceed one percent, upon the gross receipts of retailers on the leasing or renting of hotel, motel, or tourist court accommodations within the city and gross receipts of a restaurant from any sales of prepared food or beverages, not including alcoholic beverages for consumption off the premises where purchased is collected by the State Tax Commissioner. Proceeds, net of a 3% administrative fee which is deposited into the general fund, are remitted quarterly to each city collecting the tax. (NDCC 40-57.3)

STATE OF NORTH DAKOTA

Combining Statement of Fiduciary Net Assets
Pension, Investment and Private-Purpose Trust Funds
June 30, 2003

	Pension and Other Employee Benefit Trust Funds					
	Deferred Compensation	Defined Contribution Retirement	Highway Patrolmen's Retirement	Job Service Retirement	PERS Flexcomp	Prefunded Retiree Health Program
ASSETS						
Cash Deposits at the Bank of ND	$ -	$ -	$ -	$ 20,136	$ 591,929	$ 113,720
Cash and Cash Equivalents	-	-	-	-	-	-
Receivables:						
Contributions Receivable	-	85,437	-	19,304	-	360,217
Accounts Receivable-Net	-	-	-	-	409,860	-
Interest Receivable - Net	-	-	50,144	172,164	-	150,607
Due from Other Funds	-	-	-	-	31,709	-
Total Receivables	-	85,437	50,144	191,468	441,569	510,824
Investments, at Fair Value:						
Investments at the Bank of ND	-	-	450,030	599,863	-	-
Equities	-	-	-	-	-	16,267,550
Equity Pool	-	-	20,889,720	28,734,191	-	-
Fixed Income	-	-	-	-	-	8,658,263
Fixed Income Pool	-	-	11,866,940	37,863,099	-	-
Cash and Cash Pool	-	-	248,767	62,571	-	-
Real Estate Pool	-	-	1,897,813	-	-	-
Private Equity	-	-	1,680,688	-	-	-
Annuties	10,740,352	-	-	-	-	-
Mutual Funds	152,075	9,081,841	-	-	-	-
Total Investments	10,892,427	9,081,841	37,033,958	67,259,724	-	24,925,813
Invested Securities Lending Collateral	-	-	2,203,038	6,623,405	-	-
Capital Assets (Net of Depreciation)	-	-	-	-	-	-
Other Assets	-	-	-	35,898	-	-
Total Assets	10,892,427	9,167,278	39,287,140	74,130,631	1,033,498	25,550,357
LIABILITIES						
Accounts Payable	1,400	-	17,402	43,397	3,069	10,489
Accrued Payroll	9,479	-	-	-	7,643	-
Securities Lending Collateral	-	-	2,203,038	6,623,405	-	-
Due to Other Funds	571	-	-	2,188	419	86,504
Compensated Absences Payable	7,469	-	-	-	9,446	-
Capital Leases Payable	-	-	-	-	-	-
Total Liabilities	18,919	-	2,220,440	6,668,990	20,577	96,993
NET ASSETS						
Net Assets Held in Trust for:						
Pension Benefits	10,873,508	9,167,278	37,066,700	67,461,641	-	25,453,364
Other Employee Benefits	-	-	-	-	1,012,921	-
External Investment Pool Participants	-	-	-	-	-	-
Other Purposes	-	-	-	-	-	-
Total Net Assets Held in Trust	$ 10,873,508	$ 9,167,278	$ 37,066,700	$ 67,461,641	$ 1,012,921	$ 25,453,364

Pension and Other Employee Benefit Trust Funds			Investment Trust Funds				Private-Purpose Trust Funds		
Public Employees Retirement	Teachers Retirement	Total	City of Bismarck	ND Association Of Counties	City of Fargo	Total	Student Donations	College SAVE	Total
$ 998,107	$ 7,388,155	$ 9,112,047	$ 30,611	$ 28,242	$ 49,940	$ 108,793	$ 97,483	$ -	$ 97,483
-	-	-	-	-	-	-	11,916	712,153	724,069
3,078,447	6,302,169	9,845,574	-	-	-	-	-	-	-
1,459	-	411,319	-	-	-	-	-	436,350	436,350
1,473,518	4,588,915	6,435,348	54,252	1,648	9,980	65,880	-	-	-
60,603	-	92,312	-	-	-	-	22	-	22
4,614,027	10,891,084	16,784,553	54,252	1,648	9,980	65,880	22	436,350	436,372
13,224,317	8,690,601	22,964,811	409,989	-	-	409,989	18,465	-	18,465
-	-	16,267,550	-	-	-	-	-	-	
613,853,606	769,229,604	1,432,707,121	17,711,364	285,192	2,167,126	20,163,682	-	-	-
-	-	8,658,263	-	-	-	-	27,667	-	27,667
348,715,263	194,658,805	593,104,107	14,446,465	250,247	2,082,783	16,779,495	-	-	-
7,310,128	23,855,378	31,476,844	316,382	-	-	316,382	-	-	-
55,768,070	109,451,910	167,117,793	1,181,789	-	-	1,181,789	-	-	-
49,387,768	52,189,986	103,258,442	524,249	-	-	524,249	-	-	-
-	-	10,740,352	-	-	-	-	-	-	-
-	-	9,233,916	-	-	-	-	-	85,280,735	85,280,735
1,088,259,152	1,158,076,284	2,395,529,199	34,590,238	535,439	4,249,909	39,375,586	46,132	85,280,735	85,326,867
64,737,251	53,373,514	126,937,208	2,591,722	66,314	463,330	3,121,366	-	-	-
35,932	-	35,932	-	-	-	-	-	-	-
-	-	35,898	-	-	-	-	-	-	-
1,158,644,469	1,229,729,037	2,548,434,837	37,266,823	631,643	4,773,159	42,671,625	155,553	86,429,238	86,584,791
892,493	1,068,653	2,036,903	21,916	813	2,349	25,078	-	1,077,518	1,077,518
41,344	-	58,466	-	-	-	-	-	-	-
64,737,251	53,373,514	126,937,208	2,591,722	66,314	463,330	3,121,366	-	-	-
63,222	38,392	191,296	-	-	-	-	-	-	-
46,495	-	63,410	-	-	-	-	-	-	-
24,943	-	24,943	-	-	-	-	-	-	-
65,805,748	54,480,559	129,312,226	2,613,638	67,127	465,679	3,146,444	-	1,077,518	1,077,518
1,092,838,721	1,175,248,478	2,418,109,690	-	-	-	-	-	-	-
-	-	1,012,921	-	-	-	-	-	-	-
-	-	-	34,653,185	564,516	4,307,480	39,525,181	-	-	-
-	-	-	-	-	-	-	155,553	85,351,720	85,507,273
$ 1,092,838,721	$ 1,175,248,478	$ 2,419,122,611	$ 34,653,185	$ 564,516	$ 4,307,480	$ 39,525,181	$ 155,553	$ 85,351,720	$ 85,507,273

STATE OF NORTH DAKOTA

Combining Statement of Changes in Fiduciary Net Assets
Pension, Investment and Private-Purpose Trust Funds
For the Fiscal Year Ended June 30, 2003

	Pension and Other Employee Benefit Trust Funds					
	Deferred Compensation	Defined Contribution Retirement	Highway Patrolmen's Retirement	Job Service Retirement	PERS Flexcomp	Prefunded Retiree Health Program
ADDITIONS						
Contributions:						
Employer	$ -	$ 494,579	$ 833,074	$ 128,404	$ -	$ 4,712,819
Employee	2,237,139	480,174	513,812	135,893	4,550,282	4,938
From Participants	-	-	-	-	-	-
Transfers from Other Funds	153,059	58,383	-	-	-	-
Transfers from Other Plans	79,675	22,454	-	-	-	-
Donations	-	-	-	-	-	-
Total Contributions	2,469,873	1,055,590	1,346,886	264,297	4,550,282	4,717,757
Investment Income:						
Net Increase (Decrease) in Fair Value of Investments	260,687	122,320	707,680	4,143,319	-	284,302
Interest and Dividends	-	205,362	1,225,239	233,138	5,246	623,496
Less Investment Expense	68,552	8,366	118,602	181,548	-	46,489
Net Investment Income	192,135	319,316	1,814,317	4,194,909	5,246	861,309
Securities Lending Activity:						
Securities Lending Income	-	-	40,280	113,847	-	-
Less Securities Lending Expense	-	-	33,800	98,459	-	-
Net Securities Lending Income	-	-	6,480	15,388	-	-
Repurchase Service Credit	-	-	-	-	-	116,821
Miscellaneous Income	-	3,439	56	-	452,127	-
Total Additions	2,662,008	1,378,345	3,167,739	4,474,594	5,007,655	5,695,887
DEDUCTIONS						
Benefits Paid to Participants	263,217	120,661	2,044,071	2,300,546	4,503,630	12,925
Refunds	-	-	19,412	22,829	-	937
Prefunded Credit Applied	-	-	-	-	-	3,893,070
Transfers to Other Plans	-	-	-	-	155,552	-
Payments in Accordance with Trust Agreements	-	-	-	-	-	-
Administrative Expenses	150,517	5,932	16,469	-	138,969	79,237
Total Deductions	413,734	126,593	2,079,952	2,323,375	4,798,151	3,986,169
Purchase of Units at Net Asset Value of $1.00 Per Unit	-	-	-	-	-	-
Change in Net Assets Held in Trust for:						
Pension Benefits	2,248,274	1,251,752	1,087,787	2,151,219	-	1,709,718
Other Employee Benefits	-	-	-	-	209,504	-
External Investment Pool Participants	-	-	-	-	-	-
Other Purposes	-	-	-	-	-	-
Net Assets--Beginning of Year	8,625,234	7,915,526	35,978,913	65,310,422	803,417	23,743,646
Net Assets--End of Year	$ 10,873,508	$ 9,167,278	$ 37,066,700	$ 67,461,641	$ 1,012,921	$ 25,453,364

Pension and Other Employee Benefit Trust Funds			Investment Trust Funds				Private-Purpose Trust Funds		
Public Employees' Retirement	Teachers' Retirement	Total	City of Bismarck	ND Association Of Counties	City of Fargo	Total	Student Donations	College SAVE	Total
$ 19,212,733	$ 28,851,790	$ 54,233,399	$ -	$ -	$ -	$ -	$ -	$ -	$ -
18,265,346	31,358,278	57,545,862	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	94,397,117	94,397,117
-	-	211,442	-	-	-	-	-	-	-
-	-	102,129	-	-	-	-	-	-	-
-	-	-	-	-	-	-	12,990	-	12,990
37,478,079	60,210,068	112,092,832	-	-	-	-	12,990	94,397,117	94,410,107
21,524,461	(9,926,054)	17,116,715	1,009,821	17,357	438,029	1,465,207	-	(7,723,172)	(7,723,172)
35,740,851	38,287,835	76,321,167	1,114,029	19,135	95,346	1,228,510	2,097	831,660	833,757
3,456,439	4,078,106	7,958,102	104,247	3,386	8,639	116,272	-	-	-
53,808,873	24,283,675	85,479,780	2,019,603	33,106	524,736	2,577,445	2,097	(6,891,512)	(6,889,415)
1,174,788	920,831	2,249,746	45,463	1,114	4,732	51,309	-	-	-
985,655	704,309	1,822,223	39,239	943	4,115	44,297	-	-	-
189,133	216,522	427,523	6,224	171	617	7,012	-	-	-
1,493,418	-	1,610,239	-	-	-	-	-	-	-
9,184	-	464,806	-	-	-	-	-	-	-
92,978,687	84,710,265	200,075,180	2,025,827	33,277	525,353	2,584,457	15,087	87,505,605	87,520,692
43,733,098	73,774,741	126,752,889	-	-	-	-	-	-	-
2,672,201	-	2,715,379	-	-	-	-	-	-	-
-	-	3,893,070	-	-	-	-	-	-	-
55,890	-	211,442	-	-	-	-	-	-	-
-	-	-	-	-	-	-	8,041	4,481,631	4,489,672
1,068,803	1,056,611	2,516,538	-	-	-	-	-	-	-
47,529,992	74,831,352	136,089,318	-	-	-	-	8,041	4,481,631	4,489,672
-	-	-	-	-	3,782,127	3,782,127	-	-	-
45,448,695	9,878,913	63,776,358	-	-	-	-	-	-	-
-	-	209,504	-	-	-	-	-	-	-
-	-	-	2,025,827	33,277	4,307,480	6,366,584	-	-	-
-	-	-	-	-	-	-	7,046	83,023,974	83,031,020
1,047,390,026	1,165,369,565	2,355,136,749	32,627,358	531,239	-	33,158,597	148,507	2,327,746	2,476,253
$ 1,092,838,721	$ 1,175,248,478	$ 2,419,122,611	$ 34,653,185	$ 564,516	$ 4,307,480	$ 39,525,181	$ 155,553	$ 85,351,720	$ 85,507,273

STATE OF NORTH DAKOTA

Combining Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2003

	Bonding	Payroll	Child Support	Student and Other	Tax Collection	Total
ASSETS						
Cash Deposits at the Bank of ND	$ 856,833	$ 501,162	$ 961,987	$ 381,183	$ 7,652,170	$ 10,353,335
Cash and Cash Equivalents	1,377,024	-	672,904	218,151	5,182	2,273,261
Investments at the Bank of ND	8,165,847	-	-	50,000	-	8,215,847
Investments	2,390,270	-	-	18,339	-	2,408,609
Accounts Receivable-Net	-	5,936,813	21,718	-	-	5,958,531
Taxes Receivable-Net	-	-	-	-	8,004,204	8,004,204
Interest Receivable-Net	-	-	-	224	-	224
Due from Other Funds	-	-	-	132	-	132
Other Assets	-	-	-	114,742	-	114,742
Total Assets	$ 12,789,974	$ 6,437,975	$ 1,656,609	$ 782,771	$ 15,661,556	$ 37,328,885
LIABILITIES						
Intergovernmental Payable	$ -	$ 5,874,787	$ -	$ -	$ 15,661,556	$ 21,536,343
Amounts Held in Custody for Others	12,789,974	563,188	1,656,609	782,771	-	15,792,542
Total Liabilities	$ 12,789,974	$ 6,437,975	$ 1,656,609	$ 782,771	$ 15,661,556	$ 37,328,885

(Continued on the Next Page)

Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Fiscal Year Ended June 30, 2003

	June 30 2002	Additions	Deductions	June 30 2003
Bonding				
ASSETS				
Cash Deposits at the Bank of ND	$ 979,943	$ 121,465	$ 244,575	$ 856,833
Cash and Cash Equivalents	1,684,959	3,862,057	4,169,992	1,377,024
Investments at the Bank of ND	7,921,940	382,771	138,864	8,165,847
Investments	2,331,543	78,727	20,000	2,390,270
Accounts Receivable - Net	-	53,750	53,750	-
Due from Other Funds	200	-	200	-
Total Assets	$ 12,918,585	$ 4,498,770	$ 4,627,381	$ 12,789,974
LIABILITIES				
Accounts Payable	$ -	$ 29,350	$ 29,350	$ -
Amounts Held in Custody for Others	12,918,585	4,444,820	4,573,431	12,789,974
Total Liabilities	$ 12,918,585	$ 4,474,170	$ 4,602,781	$ 12,789,974
Payroll				
ASSETS				
Cash Deposits at the Bank of ND	$ 570,060	$ 100,422,549	$ 100,491,447	$ 501,162
Accounts Receivable - Net	5,822,950	74,195,232	74,081,369	5,936,813
Due from Other Funds	35	25,943,221	25,943,256	-
Total Assets	$ 6,393,045	$ 200,561,002	$ 200,516,072	$ 6,437,975
LIABILITIES				
Intergovernmental Payable	$ 5,912,760	$ 67,495,317	$ 67,533,290	$ 5,874,787
Due to Other Funds	-	28,328,572	28,328,572	-
Amounts Held in Custody for Others	480,285	101,678,178	101,595,275	563,188
Total Liabilities	$ 6,393,045	$ 197,502,067	$ 197,457,137	$ 6,437,975
Child Support				
ASSETS				
Cash Deposits at the Bank of ND	$ 902,477	$ 89,825,537	$ 89,766,027	$ 961,987
Cash and Cash Equivalents	10,255	662,649	-	672,904
Accounts Receivable - Net	298,328	89,524,616	89,801,226	21,718
Due from Other Funds	12	513,874	513,886	-
Total Assets	$ 1,211,072	$ 180,526,676	$ 180,081,139	$ 1,656,609
LIABILITIES				
Due to Other Funds	$ -	$ 7,096,762	$ 7,096,762	$ -
Amounts Held in Custody for Others	1,211,072	173,027,706	172,582,169	1,656,609
Total Liabilities	$ 1,211,072	$ 180,124,468	$ 179,678,931	$ 1,656,609

STATE OF NORTH DAKOTA

Combining Statement of Changes in Assets and Liabilities
Agency Funds (Continued)
For the Fiscal Year Ended June 30, 2003

	June 30 2002	Additions	Deductions	June 30 2003
Student and Other				
ASSETS				
Cash Deposits at the Bank of ND	$ 366,254	$ 1,466,780	$ 1,451,851	$ 381,183
Cash and Cash Equivalents	258,420	2,248,168	2,288,437	218,151
Investments at the Bank of ND	50,000	-	-	50,000
Investments	27,980	359	10,000	18,339
Accounts Receivable - Net	-	6,600	6,600	-
Interest Receivable - Net	-	224	-	224
Due from Other Funds	-	132		132
Other Assets	136,467	687,977	709,702	114,742
Total Assets	$ 839,121	$ 4,410,240	$ 4,466,590	$ 782,771
LIABILITIES				
Amounts Held in Custody for Others	$ 839,121	$ 4,167,240	$ 4,223,590	$ 782,771
Total Liabilities	$ 839,121	$ 4,167,240	$ 4,223,590	$ 782,771
Tax Collection				
ASSETS				
Cash Deposits at the Bank of ND	$ 4,967,865	$ 77,139,129	$ 74,454,824	$ 7,652,170
Cash and Cash Equivalents	5,579	-	397	5,182
Taxes Receivable - Net	10,211,316	74,880,635	77,087,747	8,004,204
Total Assets	$ 15,184,760	$ 152,019,764	$ 151,542,968	$ 15,661,556
LIABILITIES				
Intergovernmental Payable	$ 15,184,759	$ 156,266,901	$ 155,790,104	$ 15,661,556
Due to Other Funds	1	840,813	840,814	-
Total Liabilities	$ 15,184,760	$ 157,107,714	$ 156,630,918	$ 15,661,556
Total -All Agency Funds				
ASSETS				
Cash Deposits at the Bank of ND	$ 7,786,599	$ 268,975,460	$ 266,408,724	$ 10,353,335
Cash and Cash Equivalents	1,959,213	6,772,874	6,458,826	2,273,261
Investments at the Bank of ND	7,971,940	382,771	138,864	8,215,847
Investments	2,359,523	79,086	30,000	2,408,609
Accounts Receivable - Net	6,121,278	163,780,198	163,942,945	5,958,531
Taxes Receivable - Net	10,211,316	74,880,635	77,087,747	8,004,204
Interest Receivable - Net	-	224	-	224
Due from Other Funds	247	26,457,227	26,457,342	132
Other Assets	136,467	687,977	709,702	114,742
Total Assets	$ 36,546,583	$ 542,016,452	$ 541,234,150	$ 37,328,885
LIABILITIES				
Accounts Payable	$ -	$ 29,350	$ 29,350	$ -
Intergovernmental Payable	21,097,519	223,762,218	223,323,394	21,536,343
Due to Other Funds	1	36,266,147	36,266,148	-
Amounts Held in Custody for Others	15,449,063	283,317,944	282,974,465	15,792,542
Total Liabilities	$ 36,546,583	$ 543,375,659	$ 542,593,357	$ 37,328,885

Nonmajor Component Units

The Component Units are organizations which are legally separate from the State of North Dakota for which the State is financially accountable, or for which the nature and significance of their relationship with the State are such that exclusion would cause the State's financial statements to be misleading or incomplete.

915 – North Dakota Development Fund
Fund to provide loans to, or to use other innovative mechanisms to provide capital for new or expanding businesses in North Dakota or relocating businesses to North Dakota. (NDCC 10-30.5)

979 – NDSU Research and Technology Park, Inc.
Purpose is to achieve successful, technology-based economic development through the establishment of a park where partnerships between start-up entrepreneurs, high-tech businesses, and the research of North Dakota State University will lead to the creation of new business ventures.

985 – The UND Aerospace Foundation
Purpose is to engage in all types of activity relating directly or indirectly to the aerospace industry and to encourage and develop the Center for Aerospace Sciences as it relates to the overall objectives of the University of North Dakota.

995 – UND Center for Innovation
Purpose is to engage in all types of activities relating directly or indirectly to supplying data and services to manufacturing and emerging industries. Typical areas of involvement include, but are not limited to, education, research, management, and technology commercialization, as well as other associated business interests.

STATE OF NORTH DAKOTA

Combining Statement of Net Assets
Nonmajor Component Units-Proprietary Funds
June 30, 2003

	ND Development Fund	NDSU Research and Technology Park	UND Aerospace Foundation	UND Center for Innovation	Total
ASSETS					
Current Assets:					
Cash and Cash Equivalents	$ 12,187,962	$ 329,351	$ 380,649	$ 521,236	$ 13,419,198
Investments	-	-	-	2,305,366	2,305,366
Accounts Receivable - Net	-	-	350,826	-	350,826
Interest Receivable - Net	89,948	-	-	-	89,948
Due from Primary Government	-	14,550	27,016	-	41,566
Inventory	-	-	77,691	7,390	85,081
Loans and Notes Receivable - Net	2,597,137	-	-	-	2,597,137
Other Current Assets	-	19,697	21,512	-	41,209
Total Current Assets	14,875,047	363,598	857,694	2,833,992	18,930,331
Noncurrent Assets:					
Investments	1,597,828	-	576,899	136,837	2,311,564
Loans and Notes Receivable - Net	4,762,906	-	-	-	4,762,906
Capital Assets:					
Land and Construction in Progress	-	-	988,112	-	988,112
Infrastructure - Net	-	484,827	43,493	-	528,320
Buildings and Equipment -Net	16,231	-	6,552,454	-	6,568,685
Total Noncurrent Assets	6,376,965	484,827	8,160,958	136,837	15,159,587
Total Assets	21,252,012	848,425	9,018,652	2,970,829	34,089,918
LIABILITIES					
Current Liabilities:					
Accounts Payable	-	7,719	592,498	19,167	619,384
Intergovernmental Payable	-	61,000	-	-	61,000
Due to Primary Government	-	-	121,126	-	121,126
Notes Payable	-	-	940,251	-	940,251
Deferred Revenue	-	-	188,229	-	188,229
Total Current Liabilities	-	68,719	1,842,104	19,167	1,929,990
Noncurrent Liabilities:					
Intergovernmental Payable	-	423,827	-	-	423,827
Notes Payable	-	-	3,378,817	-	3,378,817
Total Noncurrent Liabilities	-	423,827	3,378,817	-	3,802,644
Total Liabilities	-	492,546	5,220,921	19,167	5,732,634
NET ASSETS					
Invested in Capital Assets, Net of Related Debt	16,231	-	3,264,991	-	3,281,222
Restricted for:					
Other	-	-	-	2,951,826	2,951,826
Unrestricted	21,235,781	355,879	532,740	(164)	22,124,236
Total Net Assets	$ 21,252,012	$ 355,879	$ 3,797,731	$ 2,951,662	$ 28,357,284

STATE OF NORTH DAKOTA

Combining Statement of Activities
Nonmajor Component Units-Proprietary Funds
For the Fiscal Year Ended June 30, 2003

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue	General Revenues: Payments from State of North Dakota	Change in Net Assets	Net Assets Beginning of Year	Net Assets End of Year
ND Development Fund	$ 1,510,735	$ 853,034	$ 28,680	$ (629,021)	$ 1,175,000	$ 545,979	$ 20,706,033	$ 21,252,012
NDSU Research and Technology Park	341,142	226,555	15,225	(99,362)	-	(99,362)	455,241	355,879
UND Aerospace Foundation	5,807,387	5,542,186	1,034,505	769,304	-	769,304	3,028,427	3,797,731
UND Center for Innovation	197,607	1,312	(217,465)	(413,760)	-	(413,760)	3,365,422	2,951,662
Total Nonmajor Component Units	$ 7,856,871	$ 6,623,087	$ 860,945	$ (372,839)	$ 1,175,000	$ 802,161	$ 27,555,123	$ 28,357,284

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
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STATE OF NORTH DAKOTA
Statistical Section Schedules
That Are Not Applicable

The following schedules are not included in the Statistical Section for the reasons stated below:

Property Tax Levies and Collections

This schedule relates to property taxes, which the State does not assess.

Assessed and Estimated Actual Value of Taxable Property

This schedule relates to property taxes, which the State does not assess.

Property Tax Rates - All Overlapping Governments

This schedule relates to property taxes, which the State does not assess.

Special Assessment Billings and Collections

This schedule relates to special assessments, which the State does not assess.

Ratio of Annual Debt Service for General Bonded Debt to Total General Expenditures

The general obligation debt is supported fully by enterprise fund revenues.

Computation of Overlapping Debt

This schedule relates to property taxes, which the State does not assess.

Property Value and Construction

The information on property values and construction is not applicable as the State does not assess property taxes.

Principal Taxpayers

The disclosure of principal taxpayers is not permitted by state statute.

General Governmental Expenditures (GAAP Basis) By Function
Last Ten Fiscal Years
(Expressed In Thousands)

Expenditures By Function	1994	1995	1996	1997
General Government	$ 57,292	$ 74,254	$ 76,034	$ 77,968
Education	319,807	329,249	340,073	347,109
Health and Human Services	487,095	528,052	558,607	586,421
Regulatory	13,198	14,800	17,713	20,544
Public Safety & Corrections	45,062	47,240	54,443	97,498
Agriculture and Commerce	17,313	19,657	19,319	20,544
Natural Resources	35,053	38,249	42,402	34,905
Transportation	198,392	226,626	212,335	236,743
Intergovernmental - Revenue Sharing (2)	-	-	-	-
Capital Outlay	624	3,357	5,427	5,855
Debt Service:				
Principal	5,185	2,988	3,878	4,446
Interest and Other Charges	3,660	4,254	4,936	5,294
Advance Refunding Escrow	-	-	-	-
Total Expenditures By Function	$ 1,182,681	$ 1,288,726	$ 1,335,167	$ 1,437,327

General Governmental Revenues (GAAP Basis) By Source
Last Ten Fiscal Years
(Expressed In Thousands)

Revenues By Source	1994	1995	1996	1997
Taxes	$ 654,865	$ 680,620	$ 722,954	$ 745,896
Licenses and Permits	31,786	34,820	39,120	38,244
Intergovernmental	566,392	623,520	669,853	705,174
Sales and Service	26,248	34,888	30,403	36,090
Royalties and Rents	6,385	7,111	7,361	7,874
Fines and Forfeits	1,845	1,901	4,583	4,951
Interest	9,455	13,576	14,459	16,379
Tobacco Settlement	-	-	-	-
Commodity Assessment (3)	-	-	-	-
Miscellaneous	4,635	4,747	4,520	4,973
Total Revenues By Source	$ 1,301,611	$ 1,401,183	$ 1,493,253	$ 1,559,581

NOTES:
(1) General Government includes General, Special Revenue, Capital Projects, and Debt Service Fund.
(2) Prior to 2001, the revenue sharing was recorded in agency funds and not presented on the finanical statements. In 2001, these expenditures were included within General Government expenditures.
(3) Prior to 2002, these amounts were included within Licenses and Permits revenue.

Source: General Purpose/Basic Financial Statements

1998	1999	2000	2001	2002	2003
$ 78,414	$ 92,534	$ 80,236	$ 230,999	$ 70,248	$ 76,539
364,389	373,740	398,518	403,644	413,417	446,274
598,833	618,241	635,288	696,715	728,511	771,908
14,493	14,326	14,595	18,340	14,662	16,181
149,811	146,050	142,102	120,378	135,591	95,264
21,070	22,830	23,433	25,733	51,263	52,922
31,561	35,030	33,638	37,452	46,959	52,405
280,647	264,980	313,115	279,076	324,821	233,089
-	-	-	-	142,778	148,181
13,128	5,351	13,264	11,462	9,148	115,191
5,180	5,119	4,731	4,700	6,374	7,738
5,345	5,479	5,420	7,048	7,327	8,403
-	-	-	-	-	
$ 1,562,871	$ 1,583,680	$ 1,664,340	$ 1,835,547	$ 1,951,099	$ 2,024,095

1998	1999	2000	2001	2002	2003
$ 802,456	$ 781,235	$ 838,306	$ 995,216	$ 952,538	$ 969,439
44,008	44,995	52,373	67,454	90,298	89,763
827,772	808,529	914,839	879,058	918,932	969,097
36,420	32,684	34,564	36,933	39,297	38,360
7,787	4,742	6,624	9,083	17,918	21,204
6,610	10,034	6,909	3,017	10,892	10,746
15,879	15,528	17,907	23,630	4,289	32,458
-	-	16,475	12,620	26,781	26,856
-	-	-	-	9,444	10,221
5,877	2,703	5,565	2,597	3,091	4,190
$ 1,746,809	$ 1,700,450	$ 1,893,562	$ 2,029,608	$ 2,073,480	$ 2,172,334

General Governmental Revenues (Budgetary Basis) By Source
Last Ten Fiscal Years (In Bienniums)

Revenues By Source	1993-1995	1995-1997	1997-1999	1999-2001	2001-2003
Sales and Use Tax	$ 551,585,835	$ 605,471,019	$ 664,364,916	$ 722,181,696	$ 640,618,363
Individual Income Tax	279,780,472	315,516,252	358,287,825	409,331,437	396,153,000
Corporate Income Tax	94,755,138	99,347,937	123,420,219	99,134,868	88,417,166
Business Privilege Tax	5,488,535	3,854,132	6,494,162	5,464,941	6,257,389
Oil and Gas Production Tax	23,560,500	33,042,320	26,973,613	47,783,630	45,516,520
Oil Extraction Tax	29,328,185	21,987,655	16,703,114	27,395,668	24,048,705
Insurance Premium Tax	32,120,236	36,968,670	35,733,266	39,113,433	48,990,027
Cigarette, Cigar and Tobacco Tax	44,864,988	45,030,090	44,091,170	41,706,350	39,313,360
Wholesale Liquor Tax	10,370,481	10,339,078	11,140,328	10,321,999	11,155,834
Department Fees and Collections	22,083,103	28,737,207	41,193,364	40,816,171	57,506,019
Gaming Tax	22,371,750	22,848,486	22,801,868	27,437,507	27,612,652
Coal Severance Tax	23,828,544	22,245,267	22,596,137	22,173,854	-
Interest on Public Funds	13,603,488	15,554,914	19,013,889	20,832,123	8,509,483
Coal Conversion Tax	22,960,212	24,064,781	23,786,790	25,672,170	46,878,511
Mineral Leasing Tax	5,445,476	5,629,526	7,257,989	9,531,698	6,440,513
Bank of North Dakota Profits - Transfer	14,100,000	50,214,540	29,600,000	50,000,000	78,699,787
Mill and Elevator Profits - Transfer	-	1,000,000	3,000,000	3,000,000	6,000,000
Gas Tax Administration - Transfer	1,025,000	1,071,878	1,128,872	1,380,608	1,363,392
Budget Stabilization Fund - Transfer	-	-	-	-	-
Other Transfers	50,067,240	38,445,224	36,713,873	6,522,115	24,370,511
Total Revenues By Source	$ 1,247,339,183	$ 1,381,368,976	$ 1,494,301,395	$ 1,609,800,268	$ 1,557,851,232

Notes: General Government Includes Principally Appropriated "General Fund".

Source: Office of Management and Budget

Computation Of Legal Debt Limit

The state may issue or guarantee the payment of bonds, provided that all bonds in excess of two million dollars shall be secured by first mortgage upon real estate in amounts not to exceed sixty-five percent of its value; or upon real and personal property of state-owned utilities, enterprises, or industries, in amounts not exceeding its value, and provided further, that the state shall not issue or guarantee bonds upon property of state-owned utilities, enterprises, or industries in excess of ten million dollars.

No further indebtedness shall be incurred by the state unless evidenced by a bond issue, which shall be authorized by law for certain purposes, to be clearly defined. Every law authorizing a bond issue shall provide for levying an annual tax, or make other provision, sufficient to pay the interest semiannually, and the principal within thirty years from the date of the issue of such bonds and shall specially appropriate the proceeds of such tax, or of such other provisions to the payment of said principal and interest, and such appropriation shall not be repealed nor the tax or other provisions discontinued until such debt, both principal and interest, shall have been paid. No debt in excess of the limit named herein shall be incurred except for the purpose of repelling invasion, suppressing insurrection, defending the state in time of war or to provide for the public defense in case of threatened hostilities.

The State is in compliance with the Legal Debt Margin.

Source: North Dakota Constitution, Art. X, Section 13.

Ratio Of Net General Obligation Bonded Debt To Net General Obligation Bonded Debt Per Capita (1) Last Ten Fiscal Years

Fiscal Year	Population (2)	Gross Bonded Debt (3)	Less Payable From Enterprise Revenues	Net Bonded Debt	Net Bonded Debt Per Capita
1994	639,762	$ 39,229,787	$ 15,427,389	$ 23,802,398	$ 37.21
1995	641,548	39,045,747	15,888,554	23,157,193	36.10
1996	642,858	38,834,919	38,834,919	-	-
1997	640,945	33,083,824	33,083,824	-	-
1998	637,808	31,441,073	31,441,073	-	-
1999	633,666	-	-	-	-
2000	642,200	-	-	-	-
2001	634,448	-	-	-	-
2002	634,110	-	-	-	-
2003	634,110	-	-	-	-

Note:
1) Assessed Value; Debt Payable From Enterprise Revenues; and Ratio of Net Bonded Debt Per Capita are not applicable because they relate to property taxes, which the state does not assess.
2) Estimated population for 2003
3) The State has had no General Obligation Bonded Debt since Fiscal Year 1998.

Source: Real Estate Trust
Job Service of North Dakota

Revenue Bond Coverage
Last Ten Fiscal Years

MUNICIPAL BOND BANK (1)

Fiscal Year	Gross Revenues	Principal Proceeds	Direct Operating Expenses (3)	Net Revenue Available For Debt Service	Debt Service Requirements: Principal	Interest	Total	Coverage
1993	$ 5,142,000	$ 4,301,000	$ 605,000	$ 8,838,000	$ 4,435,000	$ 4,373,000	$ 8,808,000	1.00
1994	5,809,000	6,586,000	444,000	11,951,000	6,076,000	5,048,000	11,124,000	1.07
1995	6,312,000	5,654,000	808,000	11,158,000	5,398,000	5,363,000	10,761,000	1.04
1996	6,784,000	9,020,000	966,000	14,838,000	6,675,000	5,390,000	12,065,000	1.23
1997	8,872,000	10,108,000	1,124,000	17,856,000	8,987,000	7,198,000	16,185,000	1.10
1998	9,278,000	7,217,000	963,000	15,532,000	12,694,000	7,297,000	19,991,000	0.78
1999	10,991,000	8,763,000	1,510,000	18,244,000	18,446,000	8,146,000	26,592,000	0.69
2000	12,286,000	9,574,000	2,114,000	19,746,000	9,495,000	8,297,000	17,792,000	1.11
2001	5,713,000	12,739,000	787,000	17,665,000	24,205,000	9,484,000	33,689,000	0.52
2002	6,122,000	10,524,000	1,369,000	15,277,000	7,160,000	8,079,000	15,239,000	1.00

STUDENT LOAN TRUST

Fiscal Year	Gross Revenues	Principal Proceeds	Direct Operating Expenses (3)	Net Revenue Available For Debt Service	Debt Service Requirements: Principal	Interest	Total	Coverage
1994	$ 21,606,884	$ 24,666,274	$ 5,730,752	$ 40,542,406	$ 26,699,999	$ 15,359,478	$ 42,059,477	0.96
1995	20,760,838	19,957,007	4,806,235	35,911,610	25,942,600	13,794,767	39,737,367	0.90
1996	18,779,343	18,777,976	3,921,272	33,636,047	33,249,575	12,215,511	45,465,086	0.74
1997	18,312,200	20,190,543	5,069,338	33,433,405	39,583,541	10,844,752	50,428,293	0.66
1998	17,923,460	19,922,911	4,097,138	33,749,233	68,048,100	8,989,815	77,037,915	0.44
1999	16,380,006	24,048,907	4,636,162	35,792,751	57,909,900	7,433,534	65,343,434	0.55
2000	15,835,171	20,532,117	6,374,651	29,992,637	1,496,326	4,933,589	6,429,915	4.66
2001	17,732,535	20,285,499	5,936,696	32,081,338	1,749,449	7,594,712	9,344,161	3.43
2002	12,646,000	19,096,000	3,808,000	27,934,000	27,082,000	5,430,000	32,512,000	0.86
2003	10,663,000	32,257,000	4,583,000	38,337,000	63,855,000	2,629,000	66,484,000	0.58

HOUSING FINANCE AGENCY

Fiscal Year	Gross Revenues	Principal Proceeds	Direct Operating Expenses (3)	Net Revenue Available For Debt Service	Debt Service Requirements: Principal	Interest	Total	Coverage
1994	$ 43,830,000	$ 92,977,000	$ 17,108,000	$ 119,699,000	$ 123,462,000	$ 25,277,000	$ 148,739,000	0.80
1995	36,433,000	38,240,000	13,206,000	61,467,000	68,565,000	22,440,000	91,005,000	0.68
1996	41,877,000	25,540,000	13,396,000	54,021,000	78,754,000	25,269,000	104,023,000	0.52
1997	46,084,000	27,371,000	14,182,000	59,273,000	113,421,000	27,565,000	140,986,000	0.42
1998	53,699,000	43,806,000	16,232,000	81,273,000	122,684,000	31,520,000	154,204,000	0.53
1999	56,512,000	51,218,000	13,577,000	94,153,000	149,683,000	38,980,000	188,663,000	0.50
2000	60,068,000	48,430,000	14,636,000	93,862,000	176,339,000	38,963,000	215,302,000	0.44
2001	69,613,000	50,506,000	17,526,000	102,593,000	173,550,000	43,121,000	216,671,000	0.47
2002	66,734,000	75,721,000	13,000,000	129,455,000	207,465,000	46,450,000	253,915,000	0.51
2003	63,697,000	142,058,000	16,376,000	189,379,000	140,411,000	39,337,000	179,748,000	1.05

STATE FAIR ASSOCIATION (2)

Fiscal Year	Gross Revenues	Principal Proceeds	Direct Operating Expenses (3)	Net Revenue Available For Debt Service	Debt Service Requirements: Principal (4)	Interest	Total	Coverage
1993	$ 3,283,594	$ -	$ 2,263,074	$ 1,020,520	$ 185,000	$ 228,475	$ 413,475	2.47
1994	3,464,160	-	2,299,643	1,164,517	185,000	300,187	485,187	2.40
1995	3,540,311	-	2,611,521	928,790	195,000	181,598	376,598	2.47
1996	3,171,361	-	2,729,123	442,238	195,000	174,772	369,772	1.20
1997	3,408,989	-	2,758,476	650,513	195,000	167,460	362,460	1.79
1998	3,749,664	-	2,752,836	996,828	195,000	159,660	354,660	2.81
1999	3,609,161	-	2,908,303	700,858	195,000	151,372	346,372	2.02
2000	3,475,814	-	3,020,232	455,582	195,000	142,598	337,598	1.35
2001	3,221,683	-	3,030,092	191,591	195,000	127,796	322,796	0.59
2002	3,448,061	-	3,150,042	298,019	-	93,010	93,010	3.20

UNIVERSITY SYSTEM (5)

Fiscal Year	Gross Revenues	Principal Proceeds	Direct Operating Expenses (3)	Net Revenue Available For Debt Service	Debt Service Requirements: Principal	Interest	Total	Coverage
2002	$ 398,935,980	$ 54,829,544	$ 552,709,442	$ (98,943,918)	$ 15,509,175	$ 3,249,608	$ 18,758,783	(5.27)
2003	430,941,780	47,034,242	579,083,257	(101,107,235)	22,090,280	4,838,767	26,929,047	-3.75

(1) Information presented for the Fiscal Year Ended December 31.
(2) Information presented for the Fiscal Year Ended September 30.
(3) Excludes Depreciation and Bond Interest Expense.
(4) Debt Service Requirements excludes Principal Payments on Refunded Bonds.
(5) Information presented for two years only as 2002 was the first year presented as an Enterprise Fund

Population And Employment
Last Ten Calendar Years

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Population (1)	637,229	639,762	641,548	642,858	640,945	637,808	633,666	642,200	634,448	634,110
Employed	306,230	323,510	324,610	333,620	338,690	335,212	325,366	334,773	335,951	332,199
Unemployed	13,990	13,060	10,980	10,560	8,850	11,053	11,456	10,520	9,959	13,862
Total Labor Force	320,220	336,570	335,590	344,180	347,540	346,265	336,822	345,293	345,910	346,061
N.D. Unemployment Rate	4.4%	3.9%	3.3%	3.1%	2.5%	3.2%	3.4%	3.0%	2.9%	4.0%
U.S. Unemployment Rate	6.9%	6.1%	5.6%	5.4%	4.9%	4.5%	4.2%	4.0%	4.7%	5.8%

Source: Job Service North Dakota

Demographic Statistics
Last Ten Fiscal Years

Fiscal Year	(1) Population	(2) Per Capita Income	(3) School Enrollment	Unemployment Rate
1994	639,762	18,885	118,649	3.9%
1995	641,548	18,899	118,606	3.3%
1996	642,858	20,921	117,816	3.1%
1997	640,945	20,520	116,103	2.5%
1998	637,808	22,716	113,929	3.2%
1999	633,666	22,969	111,705	3.4%
2000	642,200	24,708	108,094	3.0%
2001	634,448	25,798	105,214	2.8%
2002	634,110	26,982	103,013	4.0%
2003	N/A	N/A	101,137	N/A

Source: Job Service North Dakota
North Dakota Department of Public Instruction

N/A: Not Available

(1) Population Estimates are from Job Service of North Dakota.
(2) Preliminary figure for 2002 per capital income.
(3) Kindergarten through 12th grade.

Taxable Sales And Purchases
And Total Federal Tax Liability
Last Ten Calendar Years

Calendar Year	Total Taxable Sales And Purchases	Individual Income Total Federal Tax Liability
1993	$ 5,204,771,244	$ 1,029,510,000
1994	5,570,199,514	1,242,598,318
1995	5,798,621,358	1,362,289,677
1996	6,093,815,356	1,621,769,127
1997	6,403,545,513	1,709,146,792
1998	6,476,111,865	1,936,103,525
1999	6,863,857,581	2,202,315,184
2000	6,826,387,672	2,354,866,767
2001	7,147,128,090	2,465,136,000
2002	7,044,743,275	N/A

Sources: Office of State Tax Commissioner
IRS SOI Gross Collections by State FY 02

N/A: Not Available

Public School Enrollment And Average Cost Per Pupil
Last Ten Academic Years

Academic Year	Kindergarten	Grades 1-3	Grades 4-6	Grades 7-8	Grades 9-12	Total Enrollment	Special Education Students Served
1994-95	8,677	26,493	28,054	19,556	35,869	118,649	12,122
1995-96	8,600	26,097	27,492	19,636	36,781	118,606	12,355
1996-97	8,304	25,766	26,814	19,255	37,677	117,816	12,667
1997-98	8,177	25,204	26,037	18,740	37,945	116,103	12,858
1998-99	7,917	24,546	25,411	18,318	37,737	113,929	13,138
1999-00	7,559	23,930	24,989	17,652	37,575	111,705	13,572
2000-01	7,144	22,999	24,289	17,099	36,563	108,094	13,650
2001-02	7,057	22,108	23,652	16,880	35,517	105,214	13,630
2002-03	7,012	21,473	23,241	16,514	34,773	103,013	13,901
2003-04	6,890	21,229	22,645	16,287	34,086	101,137	N/A

Academic Year	Average Daily Membership	Total Cost Of Education	Average cost Per Pupil
1993-94	120,411	$ 454,146,657	$ 3,772
1994-95	120,440	463,428,366	3,848
1995-96	120,538	484,073,788	4,016
1996-97	119,895	506,338,348	4,223
1997-98	117,996	526,786,165	4,464
1998-99	115,987	550,557,935	4,747
1999-00	113,541	583,207,969	5,137
2000-01	110,710	608,196,419	5,494
2001-02	107,823	625,247,474	5,799
2002-03	N/A	N/A	N/A

N/A: Not Available

Source: Department of Public Instruction

University System Full-Time Equivalent Student Enrollment
Last Ten Academic Years

	1994 FTE	1995 FTE	1996 FTE	1997 FTE	1998 FTE	1999 FTE	2000 FTE	2001 FTE	2002 FTE	2003 FTE
Bismarck State College	1,842	1,795	1,932	2,001	2,082	2,181	2,126	2,320	2,384	2,575
Dickinson State University	1,342	1,373	1,459	1,470	1,484	1,535	1,592	1,637	1,818	1,867
Lake Region State College	455	479	437	439	492	474	491	624	652	693
Mayville State University	708	739	723	635	643	651	644	620	616	657
Minot State University	3,216	3,134	2,964	2,727	2,597	2,588	2,491	2,739	2,789	2,840
MiSU - Bottineau	338	337	369	389	410	467	394	389	447	443
ND State College Of Science	2,170	2,259	2,340	2,271	2,219	2,139	2,276	2,106	2,112	2,177
North Dakota State University	8,092	8,196	8,190	8,079	8,142	8,253	8,469	9,056	9,368	9,701
University of North Dakota	9,463	9,390	9,221	8,725	8,684	8,911	9,302	9,906	10,458	11,073
Valley City State University	853	929	932	879	903	896	910	841	864	824
Williston State College	702	714	702	663	592	615	550	579	611	659
Total	29,181	29,345	29,269	28,278	28,248	28,710	29,245	30,817	32,119	33,509

Note: Full-Time Equivalent Enrollment is based upon student credit hours.

Source: North Dakota University System

Taxable Sales And Purchases By Industry
Last Ten Fiscal Years

Fiscal Years	Mining And Oil Extraction	Construction	Manufacturing	Transportation, Communications And Public Utilities	Wholesale	Retail	Services	Misc.	Fiscal Year Total
1994	$ 48,233,026	$ 132,235,848	$ 243,159,443	$ 397,125,367	$ 1,126,606,906	$ 2,873,185,491	$ 504,776,201	$ 28,574,196	$ 5,353,896,478
1995	44,211,472	159,511,640	259,929,870	406,377,996	1,167,948,890	3,020,031,055	542,770,796	31,281,299	5,632,063,018
1996	44,787,355	160,435,468	277,474,861	448,984,237	1,265,500,733	3,119,107,791	580,017,504	47,816,164	5,944,124,113
1997	43,657,614	172,651,400	283,830,227	468,807,352	1,335,642,900	3,217,013,893	611,608,449	36,889,331	6,170,101,166
1998	45,704,201	190,953,879	311,172,120	530,697,438	1,348,847,569	3,410,886,443	655,596,265	42,366,524	6,536,224,439
1999	31,757,153	343,461,168	344,021,173	498,876,964	1,286,510,874	3,407,541,628	659,377,754	53,571,680	6,625,118,394
2000	37,128,911	324,055,893	331,107,834	520,249,975	1,371,047,248	3,587,999,334	683,652,769	46,123,347	6,901,365,311
2001	46,376,629	175,502,906	310,401,607	659,367,459	1,454,435,989	3,557,719,719	685,894,218	46,209,173	6,935,907,700
2002	46,408,362	183,876,188	310,053,868	599,641,011	1,474,694,907	3,768,438,609	708,635,488	60,128,993	7,151,877,426
2003	57,410,837	176,634,221	297,930,174	648,627,210	1,220,077,418	3,847,762,942	715,890,346	69,892,481	7,034,225,629
Fiscal Years - Percentage Change									
1994	-7.9%	8.6%	-0.4%	8.3%	11.5%	6.1%	3.4%	12.2%	6.7%
1995	-8.3%	20.6%	6.9%	2.3%	3.7%	5.1%	7.5%	9.5%	5.2%
1996	1.3%	0.6%	6.7%	10.5%	8.4%	3.3%	6.9%	52.9%	5.5%
1997	-2.5%	7.6%	2.3%	4.4%	5.5%	3.1%	5.4%	-22.9%	3.8%
1998	4.7%	10.6%	9.6%	13.2%	1.0%	6.0%	7.2%	14.8%	5.9%
1999	-30.5%	79.9%	10.6%	-6.0%	-4.6%	-0.1%	0.6%	26.4%	1.4%
2000	16.9%	-5.6%	-3.8%	4.3%	6.6%	5.3%	3.7%	-13.9%	4.2%
2001	24.9%	-45.8%	-6.3%	26.7%	6.1%	-0.8%	0.3%	0.2%	0.5%
2002	0.1%	4.8%	-0.1%	-9.1%	1.4%	5.9%	3.3%	30.1%	3.1%
2003	23.7%	-3.9%	-3.9%	8.2%	-17.3%	2.1%	1.0%	16.2%	-1.6%

Source: Office of State Tax Commissioner

Nonagricultural Wage And Salary Employees By Industry
Last Ten Calendar Years

Industry	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Construction	11,800	12,750	13,500	14,850	15,000	15,600	16,700	15,800	15,400	15,050
Educational and Health Services	40,750	41,400	42,650	43,200	43,900	44,550	44,350	44,900	46,000	46,650
Financial Activities	13,750	14,150	14,400	14,850	14,950	15,650	16,200	16,700	16,900	17,850
Government	67,100	67,250	71,100	70,800	70,750	71,100	71,850	73,050	73,350	74,200
Information	6,350	6,500	7,050	7,100	7,300	7,800	8,200	8,450	8,450	7,900
Leisure and Hospitality	26,800	27,750	28,500	29,400	29,200	29,000	28,900	29,250	29,400	29,900
Manufacturing	18,000	19,600	20,200	20,600	22,150	22,550	22,750	23,800	24,050	23,700
Natural Resources & Mining	3,250	3,150	3,350	3,700	3,700	3,500	3,150	3,300	3,500	3,200
Other Services	14,050	14,750	14,850	14,900	15,250	15,100	15,350	15,250	15,250	15,250
Professional and Business Services	13,850	15,300	16,700	18,750	20,950	22,200	23,850	24,800	25,250	24,100
Retail Trade	37,400	38,400	39,400	39,950	40,400	41,000	40,850	40,950	40,700	40,650
Transportation, Warehousing and Utilities	13,550	14,950	13,700	13,000	12,300	12,950	11,950	11,900	13,000	13,050
Wholesale Trade	16,150	16,900	17,550	17,900	18,250	18,400	18,400	18,250	18,350	18,000
Total	282,800	292,850	302,950	309,000	314,100	319,400	322,500	326,400	329,600	329,500

Source: Job Service North Dakota

Note: Does not include self-employed or unpaid workers.

Annual Average Salary Covered By Unemployment Insurance
By Industry
Last Ten Calendar Years

Sector	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Total Nonfarm Average	$ 19,382	$ 19,893	$ 20,493	$ 21,235	$ 22,045	$ 22,992	$ 23,750	$ 24,683	$ 25,707	$ 26,550
Construction	23,084	23,409	24,879	26,608	27,305	28,782	31,455	31,341	31,903	31,862
Educational and Health Services	20,607	21,059	21,930	22,758	23,484	24,031	24,637	25,712	27,037	28,270
Financial Activities	23,143	23,388	24,408	25,275	26,470	27,556	28,383	29,926	31,250	31,927
Government	21,608	22,213	22,737	23,350	24,116	24,908	25,326	26,362	27,283	28,283
Information	22,251	23,201	23,367	24,533	26,364	27,748	28,463	31,303	32,227	34,227
Leisure and Hospitality	7,039	7,502	7,718	7,980	8,491	8,769	9,209	9,579	9,229	9,582
Manufacturing	23,648	24,578	25,183	26,671	27,532	29,125	29,873	30,615	31,618	32,474
Natural Resources & Mining	28,804	28,703	29,332	30,177	31,903	33,093	33,430	35,286	37,742	38,549
Other Services	11,805	12,538	13,375	13,860	14,738	15,116	15,580	16,332	17,229	17,606
Professional and Business Services	20,623	20,823	21,003	20,988	21,021	22,581	24,059	25,104	25,944	27,511
Retail Trade	13,834	14,321	14,667	15,162	15,851	16,378	16,789	17,410	18,198	18,776
Transportation, Warehousing and Utilities	28,745	29,601	30,219	30,864	32,561	34,360	33,881	35,219	37,034	37,587
Wholesale Trade	24,898	25,712	26,245	27,381	28,438	29,896	31,023	32,465	33,237	34,493

Source: Job Service North Dakota

Annual Crude Oil Production In North Dakota And Oil Price Per Barrel Last Ten Calendar Years

Calendar Year	Crude Oil Barrels	Crude Oil Average Price Per Barrel
1993	30,918,673	16
1994	27,690,412	15
1995	29,335,924	16
1996	32,311,349	19
1997	35,837,784	17
1998	35,517,552	10
1999	32,882,182	15
2000	32,714,522	26
2001	31,691,652	21
2002	30,799,563	21

Source: North Dakota Industrial Commission, Oil and Gas Division

Taxable Coal Production And Natural Gas Produced Last Ten Fiscal Years

Fiscal Years		Coal Production (Coal Tons)	Gas Produced (Cubic Feet)
1994		31,886,860	63,524,867,000
1995		31,587,000	58,696,404,000
1996		29,512,000	55,532,370,000
1997		29,602,000	55,650,616,000
1998		29,552,000	57,197,152,000
1999		30,927,000	51,791,380,000
2000	*	31,159,000	56,326,543,000
2001		30,497,000	56,612,387,000
2002	*	30,667,000	58,969,302,000
2003		31,116,000	58,454,779,000

* Revised figures

Sources: Office of State Tax Commissioner
North Dakota Industrial Commission, Oil and Gas Division

Value of Export Shares of Agricultural Commodities - 2001-2002 (1)

	2001 Dollars (Mil.)	2001 % of U.S.	2002 Dollars (Mil.)	2002 % of U.S.
Other (2)	$ 599.1	9.9	$ 810.1	13.2
Wheat and Products	490.5	10.9	558.2	11.7
Soybeans and Products	146.2	2.1	179.1	2.4
Vegetables and Preparations	112.3	2.5	123.0	2.7
Sunflower Seed and Oil	100.7	49.1	94.1	43.1
Feeds Grains and Products	116.2	1.8	88.6	1.3
Feeds and Fodder	45.5	2.1	43.7	2.2
Seeds	26.3	3.6	27.1	3.2
Live Animals and Meats Excluding Poultry	6.5	0.1	7.7	.1
Poultry and Products	1.8	0.1	1.3	.1
Hides and Skins	0.5	--	0.6	--
Fats, Oils and Greases	0.1	--	0.2	--
Dairy Products	-	--	-	--
Total (3)	$ 1,645.6	3.1	$ 1,933.7	3.6

Sources: Foreign Agricultural Trade of U.S. - E.R.S.

(1) State Agricultural Exports estimates were based on North Dakota's production or sales of individual commodities reported by the National Agricultural Statistics Service (NASS). It is assumed that each state received export revenues in the same proportion as its production.
(2) Includes minor oilseeds, sugar, confectionery, and tropical products, nursery & greenhose, essential oils, beverages, exc. Juice, and other misc. vegetable products.
(3) Totals may not add due to rounding.

2002 Crop Rank Among States

North Dakota Ranks	Crop Description	North Dakota Produces
1st	Flaxseed	97%
	Canola	92%
	Oil Sunflowers	70%
	All Sunflowers	68%
	Non-oil Sunflowers	62%
	Durum Wheat	61%
	Pinto Beans	56%
	Dry Edible Peas	47%
	Navy Beans	44%
	Spring Wheat	42%
	All Dry Edible Beans	35%
	Barley	25%
	Honey	14%
2nd	All Wheat	13%
3rd	Lentils	21%
	Sugarbeets	19%
	Rye	5%

Source: North Dakota Agricultural Statistics 2003

Cash Receipts From Farm Marketings and Government Payments - 1999-2002

Item	1999	2000	2001	2002	2002 Pct. Of Total (1)
	Thousand Dollars				
Crops (1)	$ 2,088,098	$ 2,092,439	$ 2,187,091	$ 2,498,974	69.3%
Food Grains	739,664	766,987	776,056	820,591	22.8
Wheat	735,441	765,367	775,487	820,194	22.8
Rye	4,223	1,620	569	397	-
Feed Crops	314,027	327,776	344,160	356,796	9.9
Corn	123,357	145,943	125,802	159,781	4.4
Barley	128,575	115,719	147,014	122,467	3.4
Hay	55,486	60,667	63,861	64,886	1.8
Oats	6,609	5,447	7,483	9,662	0.3
Oil Crops	542,039	555,931	604,800	782,948	21.7
Soybeans	204,770	241,896	258,657	364,859	10.1
Sunflower	210,034	161,945	149,598	184,124	5.1
Canola	91,676	112,962	148,615	159,455	4.4
Flaxseed	26,882	32,681	42,878	64,713	1.8
Miscellaneous	8,677	6,447	5,052	9,797	0.3
Veg., Fruits, Nuts	280,596	231,603	245,597	299,704	8.3
Potatoes	129,766	122,748	124,922	124,929	3.5
Dry Beans	140,078	94,784	104,837	153,748	4.3
Dry Peas	4,959	5,918	8,164	13,107	0.4
Lentils	4,004	6,468	5,789	5,635	0.1
Miscellaneous	1,789	1,685	1,885	2,285	-
Other Crops	211,771	210,141	216,478	238,935	6.6
Sugarbeets	195,244	193,801	197,769	221,234	6.1
Miscellaneous	16,527	16,340	18,709	17,701	0.5
Livestock	633,249	633,949	726,677	723,656	20.1%
Meat Animals	490,039	493,634	578,344	580,655	16.1
Cattle And Calves	447,241	438,210	524,924	541,739	15.0
Hogs	35,968	47,891	47,917	31,849	0.9
Sheep and Lambs	6,830	7,533	5,503	7,067	0.2
Dairy Products	89,232	76,275	89,744	67,378	1.9
Poultry and Eggs	17,811	19,636	17,189	18,558	0.5
Turkeys	15,435	17,568	14,728	16,365	0.5
Eggs	1,955	1,617	2,020	1,743	-
Other Poultry	421	451	441	450	-
Miscellaneous Livestock	36,167	44,404	41,400	57,065	1.6
Honey	15,797	19,665	18,547	34,080	0.9
Other Livestock	20,370	24,739	22,853	22,985	0.6
TOTAL CROPS & LIVESTOCK (1)	2,721,347	2,726,387	2,913,768	3,222,630	89.4%
GOVERNMENT PAYMENTS	975,583	1,170,234	944,591	381,658	10.6%
GRAND TOTAL	$ 3,696,930	$ 3,896,621	$ 3,858,359	$ 3,604,288	100.0%

Source: North Dakota Agricultural Statistics 2003 and www.ers.usda.gov

(1) Items May Not Add Due to Rounding

Claims Development Information
Last Ten Fiscal Years

The following tables illustrate how the individual funds' earned revenues and investment income compare to related costs of loss and other expenses assumed by the funds as of the end of each of the last ten years. The rows of the tables are defined as follows: (1) This line shows the total of each fiscal year's earned contribution revenues and investment revenues. (2) This line shows each fiscal year's other operation costs of the fund including overhead and claims expense not allocable to individual claims. (3) This line shows the funds' incurred claims and allocated claim adjustment expense (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred (called policy year). (4) This section of 10 columns shows the cumulative amounts paid as of the end of successive years for each policy year. (5) This section of 10 columns shows how each policy year's incurred claims increased or decreased as of the end of successive years. This annual re-estimation results from new information received regarding unknown claims, reevaluation of existing information on known claims, as well as emergence of new claims not previously known. (6) This line compares the latest re-estimated incurred claims amount to the amount originally established (line 3) and shows whether this latest estimate of claims cost is greater or less than originally thought. As data for individual policy years mature, the correlation between original estimates and re-estimated amounts is commonly used to evaluate the accuracy of incurred claims currently recognized in less mature policy years. The columns of the tables show data for successive policy years (expressed in thousands).

Claims Development Information
Last Ten Fiscal Years
(Expressed In Thousands)

Bonding Fund

	Fiscal And Policy Year Ended									
	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
1 Net Earned Required Contribution and Investment Revenues	$ 128	$ 161	$ 305	$ 370	$ 633	$ 479	$ 637	$ 116	$ (50)	$ 405
2 Unallocated Expenses	34	59	68	63	205	79	84	93	45	58
3 Estimated Incurred Claims and Expense, End of Policy Year	208	249	325	91	128	229	60	71	26	259
4 Paid (Cumulative) as of:										
End of Policy Year	208	249	11	91	18	(29)	(22)	(32)	(100)	(107)
One Year Later	208	249	11	91	18	(29)	(22)	(32)	(100)	
Two Years Later	208	249	11	91	18	(29)	(22)	(32)		
Three Years Later	208	249	11	91	18	(29)	(22)			
Four Years Later	208	249	11	91	18	(29)				
Five Years Later	208	249	11	91	18					
Six Years Later	208	249	11	91						
Seven Years Later	208	249	11							
Eight Years Later	208	249								
Nine Years Later	208									
5 Reestimated Incurred Claims and Expenses:										
End of Policy Year	208	309	11	91	128	229	60	71	26	259
One Year Later	208	309	11	91	128	229	60	71	26	
Two Years Later	208	309	11	91	128	229	60	71		
Three Years Later	208	309	11	91	128	229	60			
Four Years Later	208	309	11	91	128	229				
Five Years Later	208	309	11	91	128					
Six Years Later	208	309	11	91						
Seven Years Later	208	309	11							
Eight Years Later	208	309								
Nine Years Later	208									
6 Increase in Estimated Incurred Claims and Expense From End of Policy Year	0	0	0	0	0	0	0	0	0	0

Claims Development Information
Last Ten Fiscal Years
(Expressed In Thousands)

Fire and Tornado Fund

	Fiscal And Policy Year Ended									
	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
1 Net Earned Required Contribution and Investment Revenues	$ 3,552	$ 3,349	$ 3,545	$ 3,946	$ 5,870	$ 4,787	$ 5,482	$ 4,540	$ 2,437	$ 6,646
2 Unallocated Expenses	539	596	422	345	1,282	1,031	1,026	812	991	1,149
3 Estimated Incurred Claims and Expense, End of Policy Year	1,125	2,116	1,598	7,612	5,521	3,578	2,104	6,828	5,481	(603)
4 Paid (Cumulative) as of:										
End of Policy Year	733	448	(5)	3,143	345	(2,554)	303	269	(1,589)	(3,974)
One Year Later	733	448	(5)	3,143	345	(2,554)	303	269	(1,589)	
Two Years Later	733	448	(5)	3,143	345	(2,554)	303	269		
Three Years Later	733	448	(5)	3,143	345	(2,554)	303			
Four Years Later	733	448	(5)	3,143	345	(2,554)				
Five Years Later	733	448	(5)	3,143	345					
Six Years Later	733	448	(5)	3,143						
Seven Years Later	733	448	(5)							
Eight Years Later	733	448								
Nine Years Later	733									
5 Reestimated Incurred Claims and Expenses:										
End of Policy Year	1,125	2,116	1,589	7,612	5,521	3,578	2,104	6,828	5,481	(603)
One Year Later	1,125	2,116	1,589	7,612	5,521	3,578	2,104	6,828	5,481	
Two Years Later	1,125	2,116	1,589	7,612	5,521	3,578	2,104	6,828		
Three Years Later	1,125	2,116	1,589	7,612	5,521	3,578	2,104			
Four Years Later	1,125	2,116	1,589	7,612	5,521	3,578				
Five Years Later	1,125	2,116	1,589	7,612	5,521					
Six Years Later	1,125	2,116	1,589	7,612						
Seven Years Later	1,125	2,116	1,589							
Eight Years Later	1,125	2,116								
Nine Years Later	1,125									
6 Increase in Estimated Incurred Claims and Expense From End of Policy Year	0	0	0	0	0	0	0	0	0	0

Claims Development Information
Last Ten Fiscal Years
(Expressed In Thousands)

Workforce Safety & Insurance

	Fiscal And Policy Year Ended									
	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
1 Net Earned Required Contribution and Investment Revenues	$ 108,281	$ 162,772	$ 173,417	$ 209,594	$ 223,056	$ 178,654	$ 210,363	$ 117,222	$ 85,553	$ 175,459
2 Unallocated Expenses	9,024	12,060	11,960	18,498	22,795	21,189	24,664	27,888	23,030	22,249
3 Estimated Incurred Claims and Expense, End Of Policy Year	121,211	106,081	94,160	84,551	89,020	92,130	80,505	82,905	80,567	92,605
4 Paid (Cumulative) as of:										
End of Policy Year	14,092	14,406	13,295	12,939	15,334	14,318	16,157	17,253	17,131	18,586
One Year Later	28,390	26,793	25,834	25,438	28,136	27,335	29,534	29,024	29,843	
Two Years Later	36,255	33,113	30,467	30,206	32,676	32,644	35,470	35,064		
Three Years Later	40,769	37,432	33,547	33,688	35,903	36,424	39,586			
Four Years Later	44,752	40,741	36,584	37,064	37,994	39,338				
Five Years Later	47,885	43,207	38,884	39,512	40,040					
Six Years Later	50,814	45,548	40,669	41,633						
Seven Years Later	52,989	47,706	42,514							
Eight Years Later	55,035	49,534								
Nine Years Later	57,124									
5 Reestimated Incurred Claims and Expenses:										
End of Policy Year	121,211	106,081	94,160	84,551	89,020	92,130	80,505	82,905	80,567	92,605
One Year Later	98,417	96,838	89,357	86,080	89,100	83,830	80,075	80,801	83,597	
Two Years Later	90,663	91,740	85,720	85,940	81,641	82,404	78,893	83,161		
Three Years Later	85,948	88,905	85,350	78,143	79,747	77,070	81,221			
Four Years Later	88,270	87,775	76,888	76,523	70,397	79,270				
Five Years Later	90,280	83,384	76,903	71,733	72,497					
Six Years Later	91,846	79,787	68,248	73,533						
Seven Years Later	90,332	80,465	70,788							
Eight Years Later	90,839	86,585								
Nine Years Later	97,459									
6 Increase in Estimated Incurred Claims and Expense From End of Policy Year	(23,752)	(19,496)	(23,372)	(11,018)	(16,523)	(12,860)	716	256	3,030	0

Reconciliation Of Claims Liabilities
By Type Of Contract
Last Two Fiscal Years
(Expressed In Thousands)

The Schedule Below Presents the Changes in Claims Liabilities for the Past Two Years by Type of Contract (Expressed in Thousands)

	Fire And Tornado		Bonding		Workforce Safety & Insurance	
	2003	2002	2003	2002	2003	2002
Unpaid Claims and Claims Adjustment Expenses at the Beginning of the Year	$ 5,149	$ 6,559	$ 126	$ 103	$ 500,800	$ 515,000
Incurred Claims and Claims Adjustment Expenses:						
Provision for Current Fiscal Year	(603)	3,560	259	26	96,880	87,710
Change in Provision for Prior Fiscal Year	-	-	-	-	129,167	(36,072)
Payments and Claims and Adjustment Expenses Attributable To:						
Current Fiscal Year Insured Events	3,974	1,589	107	100	(18,586)	(17,131)
Prior Fiscal Years Insured Events	(7,069)	(6,559)	(126)	(103)	(60,761)	(58,307)
Total Payments	(3,095)	(4,970)	(19)	(3)	(79,347)	(75,438)
Change in Provision for Discount	-	-	-	-	(70,000)	9,600
Other	-	-	-	-	-	-
Total Unpaid Claims and Claims Adjustment Expenses at the End of the Year	$ 1,451	$ 5,149	$ 366	$ 126	$ 577,500	$ 500,800

Source: Individual Financial Statements